





## Women's Wealth / An 'Excessive Fondness'

## For Indians, Ignoring World, All That Glitters Is Gold

By Miriam Jordan  
Special to the Herald Tribune

NEW DELHI — Never mind that gold is losing its luster as an investment worldwide, Subhash Bhol's jewelry shop is doing brisk business. So are hundreds of other gold stores that cram the same middle-class neighborhood in New Delhi.

"In India, gold demand is constant," said Mr. Bhol, owner of Bholsons Jewelers. "For low- and middle-class people, it is their social security."

Central banks from Australia to Switzerland are dumping gold because they no longer regard it as a safe reserve. Across the globe, wary individuals are ditching their gold investments. The price of gold has plummeted from \$873 an ounce in early 1980 to an average of \$322 in 1997.

But in India, faith in gold remains unshakable. "We keep reading that gold prices are dropping — it's a poor investment," said Gayatri Gladick as she placed an order for 22-karat gold earrings at her local jeweler. "But it's stuck in our psyche."

Despite being a poor country with a per-capita income of \$350 a year, India is the world's largest buyer of gold. In 1997, demand surged 45 percent, to 737 metric tons from 508 tons a year earlier. India is the fastest-growing gold market in the world, according to the World Gold Council.

Since gold production in India is negligible, jewelers traditionally rely on smuggled supplies to satisfy the huge demand. Last year, however, Indians gained greater access to gold than ever before, thanks to government steps that liberalized imports. Among the measures, New Delhi licensed several banks and trading companies to import gold for domestic sale. Until 1997, these institutions could import gold only for jewelry exporters.

"We don't have a gold culture; we have a gold obsession," said Rashmi Vaidyalingam, a New Delhi lawyer.

This obsession is centuries old and reflects Hindu culture, religion and society. Gold jewels cascade down the effigies of Hindu gods such as Lakshmi, the goddess of good fortune. In the 19th century, a craftsman sometimes devoted 10 years to making a single gold ornament for a maharajah.

The lure and importance of gold among Indian women cut across caste and economic boundaries. During holiday season, disheveled peasants wearing tiny gold nose studs and matronly types dripping in gold contraptions line up outside jewelry shops to buy gold across India, in villages and in big cities.

In this society where most women don't hold property, bank accounts or other assets, gold is considered *stree*

*dhan*, Hindi for woman's wealth. For a woman to enter wedlock without gold is inconceivable.

Most families will not marry off a daughter until they can give her a trousseau containing at least two gold bangles, a gold necklace, earrings, a ring and a nose pin. At current gold prices, that costs about 100,000 rupees (\$2,550). Though part of the dowry, gold jewelry is for the daughter to keep. It is meant to beautify her and secure her.

"Gold is the savior of Indian women in times of crisis," said G. S. Pillai, New Delhi manager of the World Gold Council. "If her husband dies or throws her out of the house, she has her gold. Nobody can touch it."

THE RECENT rise in silver prices had many Indians cashing in their silver. But to sell gold is unthinkable, except in times of distress, they say. Regardless of price fluctuations, Indians are usually determined to accumulate gold through the years.

Middle-class and wealthy Indian women keep most of their gold jewelry stashed in banks or in safes at home. According to the World Gold Council, India holds at least 7 percent of the world's gold stock, or about 5,500 tons. But nobody really knows how much gold there is in India. Some say the actual figure is closer to 30,000 tons.

Steep taxation on income and traditional assets, such as property, led many Indians to convert cash into gold during decades of socialist-style rule. Though the government has lowered tax rates in recent years, the overwhelming majority of Indians still pay cash for their gold purchases and prefer not to leave any trace of their transaction.

"Gold is a subject that most people are not willing to discuss," Mr. Pillai of the gold council said. "No shopkeeper will disclose how much he sells. Most gold is sold without receipts."

Surveying the customers bent over glass display counters that line both sides of his shop, Mr. Bhol said: "At least 95 percent of them pay cash." The gold council estimates that the average expenditure per buyer is about \$200.

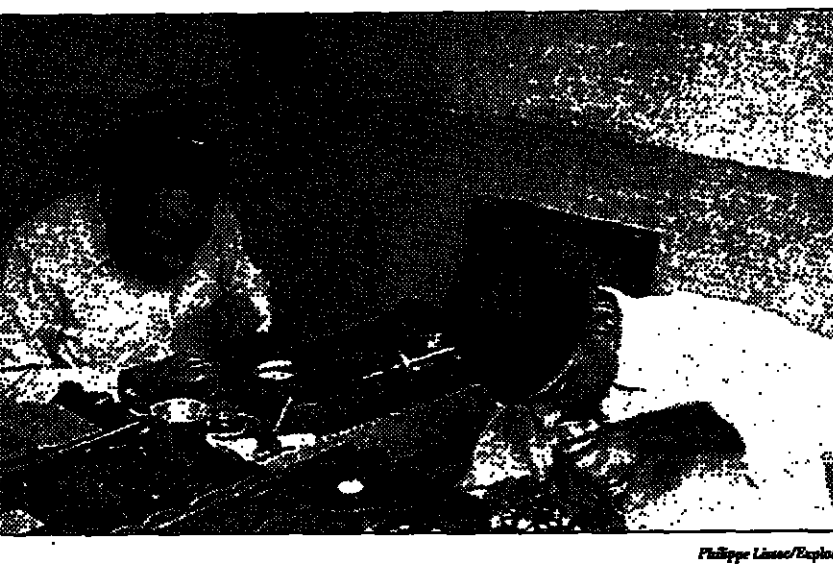
Though it seems impossible to find an Indian who is concerned that the role of gold as a store of value may be slipping, some are beginning to worry about the repercussions of a long-term decline in gold prices.

"In a society where the low-income class has invested their life's savings in gold, this could be a disaster waiting to happen," said Narendran Pani, an economic columnist. Mr. Pani says the government needs to devise programs that would encourage Indians to redirect some of their investments in gold into more productive savings.

The government, he said, has failed to address "the basic problem of an excessive fondness for gold among Indians."



Indians are the world's leading consumers of gold. At bottom, Sikh goldsmiths working in Jaipur. 'Gold is the savior of Indian women in times of crisis. If her husband dies or throws her out, she has her gold.'



Leading gold consumers, metric tons, 1997	
India	737
U.S.	377
China	285
Turkey	202
Saudi Arabia	189
Gulf States	142
Taiwan	142
Japan	139
South Korea	114
Italy	112
Indonesia	93

Source: World Gold Council

## Senators Now Buy NATO Expansion

By Philip Shenon  
New York Times Service

WASHINGTON — The Clinton administration's campaign to sell the Senate on the expansion of NATO appears to be nearing a successful conclusion, with the final approval of the chairman of the Senate Foreign Relations Committee, who said the expansion "will make NATO stronger and make Europe more peaceful and united."

The chairman, Senator Jesse Helms, Republican of North Carolina, suggested at a committee hearing that he had overcome his concern about the cost of adding Poland, Hungary and the Czech Republic to the military alliance and hoped for an "overwhelmingly positive" vote by the full Senate sometime within the next two weeks.

At what was billed Tuesday as the committee's final hearing on the issue before the Senate vote, Secretary of State Madeleine Albright, Secretary of Defense William Cohen and General Henry Shelton, chairman of the Joint Chiefs of Staff, made their final pitch for NATO enlargement.

But their salesmanship was mostly unnecessary, given the enthusiastic support for the expansion plan voiced by

senators from both political parties at the hearing. Although several lawmakers raised concerns about the cost of adding NATO members and its potential effect on relations with Russia, there was no suggestion that any of them would vote against expansion.

With Senate approval virtually assured, the debate has shifted to whether a delay should be placed on any second round of new members.

Senator John Warner, Republican of Virginia, who has been the most outspoken on the issue, said he would seek to impose a three-year moratorium on a second round. Congressional officials say it is unclear if Mr. Warner would succeed in trying to amend the Senate

resolution, although he has clearly caught the attention of the administration, which is trying to block his efforts. Mrs. Albright said a Senate-mandated moratorium on a second round of new NATO members would "be dangerous and utterly unnecessary, since the Senate would, in any case, have to approve the admission of new allies."

"It would be seen as a vote of no confidence in the reform-minded governments from the Baltics to the Balkans," she continued. "It would diminish the incentive nations now have to cooperate with their neighbors and with NATO. It would fracture the consensus NATO itself has reached on its open door."

With several senators at the hearings more interested in the United Nations-brokered deal with Iraq over arms inspections than the North Atlantic Treaty Organization, the budget for NATO expansion provoked little discussion Tuesday.

In the past, several senators had described the cost of the expansion as a key factor in whether they would support the addition of Poland, Hungary and the Czech Republic to the alliance. But it seemed far from a make-or-break issue at Tuesday's hearing.

Umberto Mastroianni, Sculptor

ROME (AP) — Umberto Mastroianni, 87, a sculptor known for his large-scale futurist creations in bronze, died Wednesday at his home near Rome after a long illness.

Considered one of Italy's leading contemporary sculptors, Mr. Mastroianni received numerous Italian and foreign awards for his works.

He began exhibiting his work at age 21 and most recently had been working on a monument for a Rome fountain. His last work, a large panel, was completed in 1994 for the Teatro Regio in Turin.

He briefly held the chair of sculpture at the Academy of Fine Arts in Rome.

He was an uncle of the actor Marcello Mastroianni.

## Mohammad Mehdi, U.S. Islamist, Dies

The Associated Press

NEW YORK — Mohammad T. Mehdi, an expert on the Middle East and a leader in Arab and Islamic affairs in the United States, died here Monday of a heart attack. He was 70 years old.

Mr. Mehdi had been a leading spokesman for the U.S. Arab and Islamic communities for the last 40 years, giving voice to the concerns of Palestinian and Muslim causes all over the world.

He was born in one of the holiest cities of Islam — Karbala, Iraq — and came to the United States in 1948 on a scholarship from the Iraqi government to study at the University of California at Berkeley. He graduated with a degree in political science in 1952.

Mr. Mehdi briefly taught political science at Berkeley and then became director of the Arab Information Office in San Francisco during the 1950s. In 1961, he received a doctorate in constitutional law from the University of California.

Mr. Mehdi had served as secretary

general of the National Council on Islamic Affairs since 1964, the year the council was formed. That same year, he was elected president of the American Arab Relations Committee, a position he held until his death. Both organizations are based in New York City.

Edith Oliver, 84, Theater Critic

NEW YORK (NYT) — Edith Oliver, 84, a diminutive, raspy-voiced and highly influential drama critic at The New Yorker magazine for more than three decades, died here on Monday.

She also was a dramaturge for 20 seasons at the National Playwrights Conference in Waterford, Connecticut.

From 1937 until 1941, she wrote the radio quiz show "True or False?" and for a dozen years, beginning in 1940, she wrote and later produced "Take It or Leave It: The \$64 Question."

Miss Oliver began contributing to The New Yorker in 1947 and joined the staff in 1961 as a movie and theater critic, eventually becoming among the most influential voices covering off-

Broadway theater. She also ran the magazine's book department for many years, while continuing to write.

In 1987, she began to share the coverage of Broadway shows for The New Yorker, first with Mimi Kramer and then with John Lahr. She retired in 1992.

Umberto Mastroianni, Sculptor

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## TRAVEL UPDATE

## Italy to Open 2 Borders

ROME (AFP) — Passport controls on Italy's borders with France and Austria will be abolished by the end of March, the Foreign Ministry announced Wednesday.

The move, announced by the secretary of state for foreign affairs, Piero Fassino, would bring Rome into compliance with the Schengen accord on free movement between signatory countries. The signatories to the accord are Austria, the Benelux countries, France, Germany, Italy, Portugal and Spain.

Sabena Belgian World Airlines said Wednesday that as of March 29 it would offer twice-weekly flights, on Saturday

and Sunday, from Brussels to Ajaccio on the French island of Corsica. (AP)

The ban on commercial flights to Sierra Leone was lifted Wednesday by the Nigerian-led intervention force that had ousted the country's coup-installed leadership. The coup prompted a variety of sanctions on Freetown, including the air-travel restrictions. (AFP)

About 1.8 million tourists visited Morocco in 1997, an increase of nearly 12 percent from the previous year, a government agency reported, but tourism revenue was down 3 percent in the first 11 months from a year earlier, to 10.53 billion dirhams (\$1.08 billion). (Reuters)

## WEEKEND SKI REPORT

Resort	Depth L U	Mtn. Pluses	Res. Pluses	Snow Shots	Last Snow	Comments	Resort	Depth L U	Mtn. Pluses	Res. Pluses	Snow Shots	Last Snow	Comments
Andorra Soldeu	70 130	Good	Open	Pack	232	great snow and skiing: all lifts open	Italy Bormio	20 180	Fair	Open	Ver	232	good skiing on upper slopes
Austria Ischgl	30 100	Good	Open	Ver	222	all lifts o, good skiing on new snow	Cervinia	70 160	Good	Open	Ver	232	excellent skiing, all lifts open
France Kisbuhar	80 80	Good	Open	Ver	232	5000 lifts and 44660 pluses open	Corbina	20 100	Good	Open	Ver	232	excellent skiing, all lifts open
Germany Lech	80 100	Good	Open	Pack	232	all lifts o, good snow fresh snow at all o, snow fresh snow at all o							



## THE AMERICAS

## Dueling Over Executive Privilege

Clinton Could Invoke Weapon to Shield Aides in Starr Inquiry

By Brian Knowlton  
International Herald Tribune

WASHINGTON — The White House is locked in "ongoing discussions" with prosecutors in an attempt to "avoid a confrontation over the use of executive privilege to exempt presidential aides from having to testify about aspects of the Monica Lewinsky case," a spokesman said Wednesday.

The spokesman, James Kennedy, would not specifically confirm or deny a report Wednesday in The New York Times that the White House had already decided to invoke executive privilege to shield some of President Bill Clinton's closest advisers from questioning.

But Lanny Brewer, an associate White House counsel who has worked to protect Mr. Clinton from legal fallout surrounding the Whitewater real-estate affair, was summoned before the 23-member jury. His appearance, expected as early as Wednesday, could precipitate an assertion of executive privilege.

To do so in a criminal investigation could have serious legal implications; courts have ruled that an executive privilege assertion can be overruled if prosecutors make a clear case that they need the information being sought and cannot obtain it otherwise.

Politically, Mr. Clinton's detractors would be certain to portray such an assertion as a sign that the president had something to hide.

Another top presidential aide, Sidney Blumenthal, appeared Tuesday without testifying and was ordered to return Thursday with records of any conversations he has had with reporters about the Lewinsky investigation.

The Times, quoting lawyers involved in the case, said that Mr. Clinton decided to invoke executive privilege after Kenneth Starr, the independent counsel, filed a motion last week to compel Bruce Lindsey, the deputy White House counsel and one of the president's closest friends and advisers, to testify. Mr. Lindsey deferred answers to some questions in two grand-jury appearances.

Judge Norma Holloway Johnson of U.S. District Court, who is overseeing the grand jury, could hear arguments on a White House assertion of executive privilege as early as this week, The Times said.

Mr. Kennedy, the White House spokesman, said that even if the president had invoked the privilege to shield his aides, grand-jury secrecy requirements would not permit the White House to comment.

"I have heard nothing from the lawyers that would encourage me to follow the Times story," he said. "The counsel's office is trying to find a reasonable solution to this issue in ongoing discussions with the office of independent counsel."

Prosecutors under Mr. Starr are seeking to determine whether Mr. Clinton had an



Sidney Blumenthal, right, and his attorney, Jo Marsh, speaking to reporters outside the U.S. District Courthouse in Washington. Mr. Blumenthal was subpoenaed by Kenneth Starr to testify before a grand jury.

affair with Ms. Lewinsky, a former intern, and then urged her to deny it under oath. The president has denied the charges.

On Wednesday, prosecutors questioned witnesses who might be able to explain the circumstances around the sudden transfer of Ms. Lewinsky from her White House job to the Pentagon on April 17, 1996.

One of these was Timothy Keating, the official who arranged the transfer.

In a related development, a federal judge on Tuesday gave lawyers for Paula Jones, the former Arkansas state employee who has sued Mr. Clinton for sexual misconduct, more time to respond to a request by his attorneys to dismiss the suit. The trial is scheduled for May 27.

**Lewinsky Co-Workers Sought**

Susan Schmidt and Toni Locy of The Washington Post reported earlier.

Mr. Starr has sought testimony from former co-workers of Ms. Lewinsky who might be able to shed light on how she moved from an unpaid internship to a paid White House job in late 1995 and

what led to her abrupt and involuntary transfer to the Pentagon five months later. Prosecutors are examining that career path for clues to whether she had a sexual relationship with Mr. Clinton despite his denial.

But prosecutors were moving in so many directions and had so many witnesses on hand Tuesday that they sent several of them home without bringing them before the grand jury to testify.

Separately, Mr. Clinton's attorneys, David Kendall and Robert Bennett, said they endorsed a White House statement denying accusations by Joseph diGenova, a Republican former prosecutor, that investigators for Mr. Clinton were looking into him and his wife, Victoria Toensing, a former prosecutor.

"There is public information available, which, of course, it is our duty as counsel to research and gather," the lawyers said. "But we have not investigated, and are not investigating, the personal lives of Ms. Toensing, Mr. diGenova, prosecutors, investigators, or members of the press."

## Senate Finance Bill Survives (in a Way)

WASHINGTON — In a symbolic victory for the bill's sponsors, the Senate has voted to keep alive legislation that would overhaul the way political campaigns in the United States are financed.

But the Senate's vote of 51 to 48 on Tuesday against the attempt by Senator Trent Lott, Republican of Mississippi, to kill the bipartisan campaign-finance legislation is only a limited victory for supporters. The votes fell well short of the 60 needed to break a Republican filibuster, a senatorial technique that would keep the bill from winning final approval this year.

The bill's sponsors, Senators John McCain, Republican of Arizona, and Russell Feingold, Democrat of Wisconsin, had long sought a direct vote on their proposal. A total of 44 Democrats and 7 Republicans voted to sustain the campaign-finance measure, and 48 Republicans voted to kill it.

Minutes after allowing the overhaul forces their symbolic victory, Mr. Lott, the majority leader, went on the offensive, using a parliamentary tactic that would allow him to choke off any more amendments that might build more Republican support for the McCain-Feingold bill.

Democrats responded by threatening to do what they did last year: try to tie the Senate in procedural knots

throughout the year to keep campaign-finance overhaul alive.

The confrontation came in the aftermath of a 1996 presidential election that saw the virtual collapse of the public campaign-finance system, as the two parties found ways to use so-called soft money to find ways around the campaign spending limits in the public-finance law.

But while the Republican leadership was intent on examining the president's campaign-finance practices, it has fiercely resisted legislation that would eat into the party's fund-raising advantage. Mr. Lott worked hard last year to prevent the campaign-finance bill from coming to the floor, and only grudgingly allowed the vote Tuesday after overhaul supporters created a three-week logjam in the Senate last autumn.

The McCain-Feingold bill would ban soft money — the unlimited, unregulated large donations to political parties — which was at the heart of many of the 1996 abuses. (NYT)

## Tobacco Companies Defend Advertising

WASHINGTON — The top executives of the major tobacco companies have told the Senate that they would never agree to modify their advertising and marketing practices unless the lawmakers gave the industry substantial protection against lawsuits.

Advertising is "rightful, legal behavior for a consumer-product company," Steven Goldstone, chairman and chief executive officer of RJR Nabisco Holding Corp., told the Senate Commerce Committee on Tuesday.

"It's our constitutional right, and if we stop doing it," he continued, making a swooping motion with his hand, "our business is going to go like that."

The issue is critical because a central element of the accord reached last June by the tobacco companies and most of the state attorneys general, which can go into effect only to the degree it is approved by Congress, involves a trade-off. The companies would trade what they contend is their constitutional right to advertise their products broadly for immunity from class-action lawsuits.

But some in Congress are reluctant to give such a legal break to the industry. (NYT)

## Quote/Unquote

Susan McDougal, serving an 18-month jail sentence for refusing to answer Kenneth Starr's questions on the Whitewater case before a grand jury, saying that the independent counsel is placing Monica Lewinsky in an awkward position: "What they're saying to Monica Lewinsky: 'Either you tell our story or we prosecute you for perjury.' There's no way you can just go in and tell the truth to these people." (AP)

## Pentagon Under Attack (by Hackers)

'Fairly Heavy' Offensive Launched Against Unclassified Networks

The Associated Press

WASHINGTON — During the last two weeks, the Pentagon's unclassified computer networks have been subjected to "fairly heavy cyber attacks," a deputy secretary of defense, John Hamre, said Wednesday.

"It was the most organized and systematic attack the Pentagon has seen to date," Mr. Hamre said.

He added that the event had "all the appearances of a game" and apparently was perpetrated by "a small number of individuals."

But, he continued, he could not divulge many details because the military was working with the Justice Department to determine potential criminal activity.

The attacks appear to be directed at unclassified information, like personnel records or payroll matters, he said.

"Our classified networks were intact and not penetrated," he said, describing the attacks as "widespread and modestly sophisticated."

"During the last two weeks, the department experienced fairly heavy cyber attacks," Mr. Hamre said.

He explained that the apparent hackers tried to enter networks handled by all branches of the military services.

"All the services had penetration to some degree," he explained.

The attacks could be described as "voyeurism or vandalism," he continued.

"There are hackers who enjoy breaking into peoples' computers just to see what they can see," he said, adding that there was a certain "mystique" attached to breaking into the Pentagon's computers.

The Defense Department has been

trying in recent years to update its defenses against such attacks, he noted.

"We have to do a good deal more in this area," he said.

Mr. Hamre said that the attacks appeared to be occurring at a time when a "hacker contest" was going on. He did not say where such an event originated or offer a further explanation.

Officials suspect that the Pentagon was not the only institution under attack and that networks in the private sector may also have been subject to hacking, he said.

Mr. Hamre said he could not offer any figure for setting up defenses against computer hackers.

But he called for the government to develop a monitoring program and a network of contacts so that it can more quickly verify such attacks and identify those responsible.

## Ruling Lets New York Move Sex Shops

New York Times Service

ALBANY, New York — New York state's highest court has upheld the constitutionality of a New York City zoning law that bans sex-related businesses from residential neighborhoods, paving the way for the city to start closing sex shops that violate the law.

After the decision by the New York State Court of Appeals, Mayor Rudolph Giuliani declared that the city would begin closing 138 peep shows, topless bars and X-rated video parlors next week in areas like Times Square, which in years past had become nearly synonymous with sex businesses.

"I consider this a very big victory for our

quality of life strategy," Mr. Giuliani said at a news conference at City Hall. "This was one that many people doubted would work."

The ruling does not mean sex shops will disappear from New York City. The law designates isolated commercial and manufacturing areas across the city where sex shops will still be allowed. Stores that trade in pornographic videos or magazines can restructure their businesses so that pornographic wares make up less than 40 percent of the inventory. Those shopkeepers can open up a back room that cannot be seen from the street, filled with the same materials they sell now.

## Away From Politics

• A fertility clinic has doubled the usual payment for human eggs, from \$2,500 to \$5,000, raising concerns that the quest for egg donors is becoming a bidding war. The move by the clinic at St. Barnabas Medical Center in Livingston, New Jersey, has also prompted a debate over whether human eggs are a gift to be given, or a commodity to be bought and sold. (AP)

• A navy ship was set to begin blasting high-volume sounds at humpback whales after a federal judge in Honolulu rejected environmentalists' arguments that the research program could harm the endangered animals. The navy hopes to study how the whales react and then use that data in an environmental impact statement for a new sonar program designed to detect quiet submarines. (LAT)

• A man convicted of killing two brothers in a drunken brawl was executed by injection in Potosi, Missouri, after arguing that he had not received an adequate defense from an attorney who became his lover. The case of Reginald Powell, 29, drew national attention because of the affair between Mr. Powell and his original trial lawyer, Marianne Markors. (AP)

• The 21,000 students in Wisconsin's third-biggest school district, in Racine, returned to classes with the teacher contract dispute that shut schools for two days still unresolved. (AP)

• A woman held for 22 hours, strip searched and forced to take laxatives by customs agents during a futile search for drugs has been awarded \$450,000 by a federal jury. Lawyers for Amanda Buritica, of Port Chester, New York, argued that agents at San Francisco International Airport had no reason to suspect her of being a drug courier. (AP)

## DEATH NOTICE

James Herbert BURNHAM passed away in Paris on February 23, 1998, following a long illness. A long-time resident of France, he was a Dartmouth graduate and founder of Progression. He is survived by his wife, Nancy Almon, and his children, James Neal and Eliza. In keeping with his wishes, his burial will take place in Greensboro, Vermont.

Brian Knowlton

## AMERICAN TOPICS

## A Birthday to Remember

Julia (Butterfly) Hill got most of what she wanted for her birthday — a carrot cake, a pint of fresh-squeezed orange juice and a bottle of organic zinfandel. But the top item on her list will have to wait.

"I want a hot shower," said Ms. Hill, an activist with the group Earth First who has spent 76 days perched in a California redwood, protesting plans to log the old-growth tree.

Ms. Hill, who turned 24 last week, has been wearing the same clothes since she climbed the 1,000-year-old, 200-foot (60-meter) tree, which overlooks El River in Humboldt County, reports the Los Angeles Times.

In more than two months, she has taken just three quick sponge baths. But her bond to the tree is unshaken. When she first visited a redwood forest, she says, she fell to her knees and began to cry, utterly awed by "the cathedral of the redwoods."

Ms. Hill endures thunderstorms, winds of up to 90 miles (145 kilometers) an hour, near-freezing temperatures and the verbal taunts of employees of Pacific Lumber, the company that owns the land where her tree, which she calls Luna, stands.

The company owns one of the largest privately held groves of ancient redwoods in the world, including 10,000 acres of old-growth trees.

The issue of protecting them has polarized area residents. Pacific Lumber is the leading private employer in the county, which also has a powerful environmentalist contingent.

Ms. Hill says she will come down only when the Pacific Lumber woodmen agree to spare the tree, worth perhaps \$100,000 as lumber.

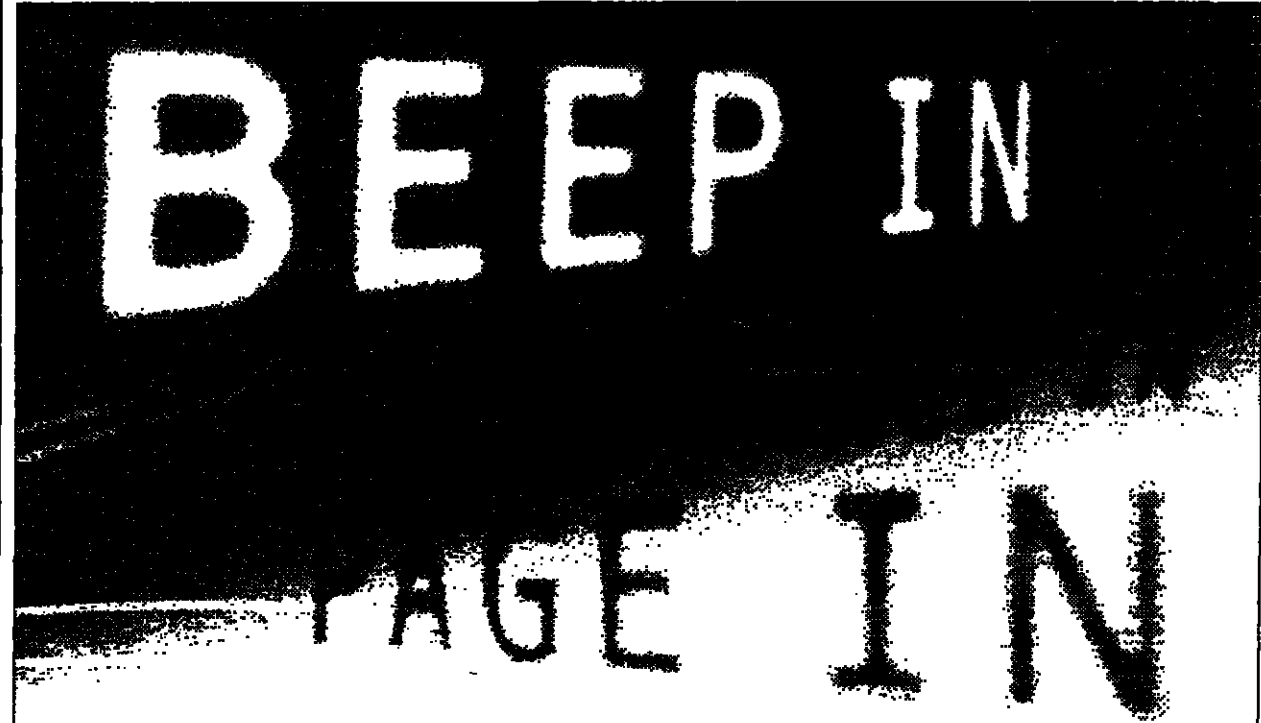
So she goes on living on an 8-by-8-foot plywood platform under a dome of tarps, using candles for light, a one-burner propane stove for cooking, an empty margarine container for you-know-what and spending her days — how else? — climbing the tree.

## Short Takes

Florida has backed down in a clash with vendors over the Latin American tradition of selling coffee through open windows. Health inspectors will not enforce a rule requiring coffee sellers to install screens or sliding glass between the window and the food area. Cuban coffee is served through the sidewalk windows of cafés, bakeries, grocery stores and gas stations throughout south Florida. State regulators had called the open windows a health hazard. But residents of Miami, which is more than 55 percent Hispanic, complained. Even Mayor Alex Penelas said a crackdown would have brought "economic disaster."

The Los Angeles Board of Education has approved a plan to equip school policemen with 12-gauge shotguns. At a contentious board meeting, some members said the weapons could be a valuable deterrent. Others expressed fears that students could accidentally be shot, and said such weapons seemed an exaggerated response at a time when violence has been declining across the country. One board member, Barbara Boudreaux, said: "If we think we live in a safe city, where officers don't need guns, then we're living in an unreality."

The nation's growing prison population has had one welcome, if unexpected, consequence: More and more inmate groups are working to help children in low-income areas, by revamping old computers for their schools or holding cell-to-cell food drives during holidays. At the Northern Nevada Correctional Center in the high desert, an inmate group recycles aluminum cans, flattens cardboard boxes and passes the hat to raise money and buy reading books for schoolchildren in a tough Reno neighborhood. Many schools had turned down the Nevada inmates' offer of help. But at the Stead School in Reno, a hard-scrabble area where some children sleep in the family car, the gifts were welcomed. "These are total strangers," Suzy Davonport, a second-grade teacher, told the Los Angeles Times, "who care enough about us to buy us extra books."



CHECK IN ON TWO OF THE LATEST DEVELOPMENTS IN THE WORLD OF TECHNOLOGY:

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section appearing Thursdays, beginning February 26, in The

New York Times, and TribTech the new Thursday technology

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## ASIA/PACIFIC

## ASEAN Seeks Funds to Avert Another Costly Season of Haze

By Michael Richardson  
International Herald Tribune

SINGAPORE — With forest fires in Indonesia threatening to cast another pall of smoke-borne pollution over Southeast Asia, officials in the region appealed Wednesday for international aid to help prevent a recurrence of the 1997 crisis that is estimated to have cost more than \$1.3 billion in damage to health, disrupted industry and transport and lost tourism.

Environment ministers from the Association of South East Asian Nations, meeting in Kuching, Malaysia, said that a recent outbreak of fires in the nearby Indonesian province of Kalimantan Timur on Borneo Island was a worrying development brought on by drought over much of the region caused by the El Niño weather phenomenon.

Officials warned that Indonesia's economic crisis meant that Jakarta would have less money and fewer resources to fight the fires. They said that Canada, France, Germany and the United States had offered aid, but that more was needed.

"The meeting noted that the fires in east Kalimantan are of serious concern because of the prolonged dry weather and welcomed any immediate international assistance, especially in enhancing fire-fighting capacity," the ministers said in a joint statement issued at the end of their one-day meeting.

ASEAN is made up of Brunei, Burma, Indonesia, Laos, Malaysia, the Philippines, Singapore, Thailand and Vietnam. Raging fires in Kalimantan and Sumatra last year threw a thick blanket of smoke over much of Southeast Asia from July to November that trapped transport and industrial fumes, creating an unpleasant and sometimes toxic smog.

The fires this year have so far caused only intermittent haze on Borneo affecting Indonesian territory, two Malaysian states and Brunei, all of which share the island.

But officials of nearby countries worry that when the prevailing winds change in April or May and blow northward, the smoke will be carried across densely populated Singapore, peninsular Malaysia and even as far as southern Thailand and the Philippines, affecting about 70 million people, as was the case last year.

Smoke and pollution in 1997 from the Indonesian fires — started by plantation companies and farmers to clear land cheaply — caused more than \$1.3 billion in damage, according to a study released Wednesday.

The study was conducted by the Singapore-based Economy and Environ-

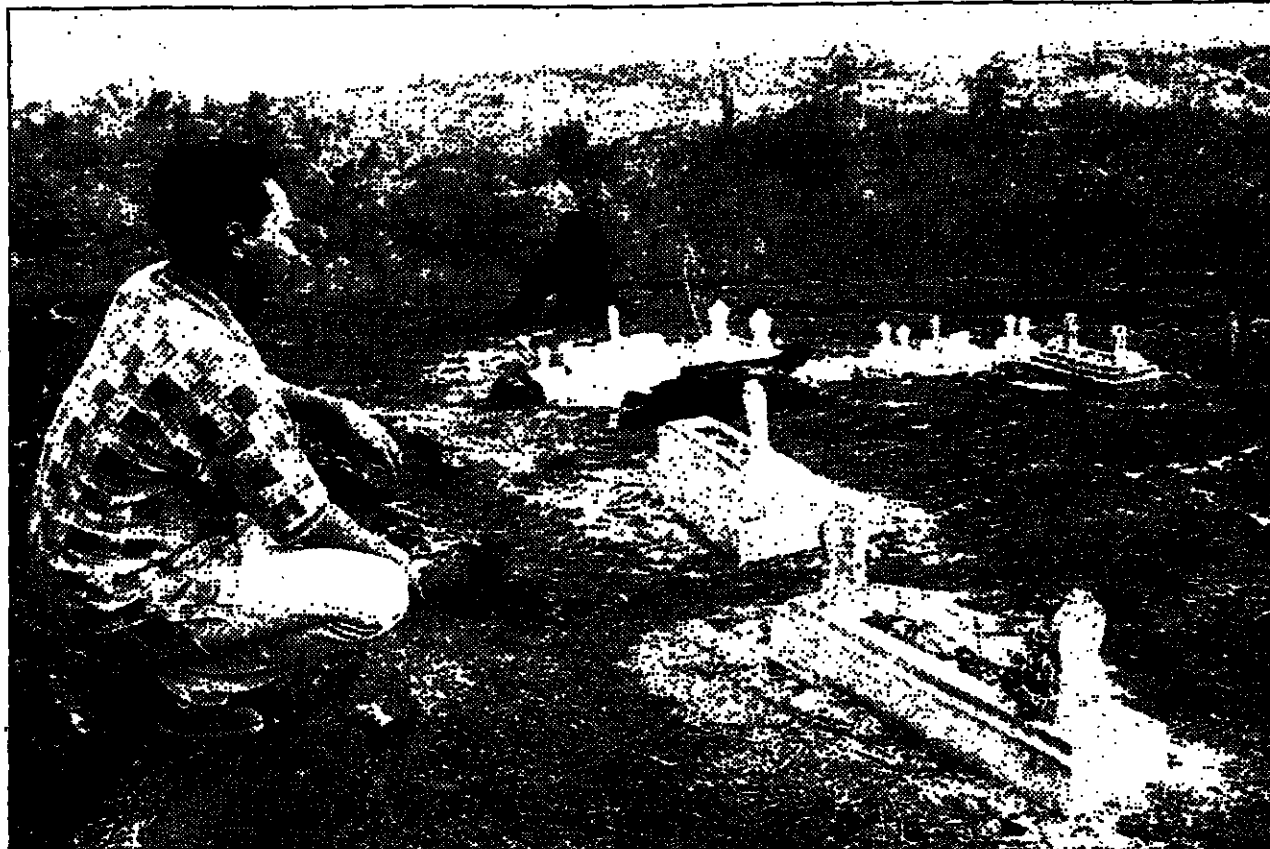
ment Program for Southeast Asia and the Indonesian office of the World Wide Fund for Nature. It used what the environmental groups said were very conservative calculations.

The study found that Indonesia bore the brunt of the damage, with an estimated \$1 billion in losses, more than 90 percent of which was attributable to short-term health costs, such as respiratory and eye infections.

Malaysia suffered more than \$300 million in damage, mainly due to lost industrial production and tourism revenue. The haze cost Singapore more than \$60 million, chiefly from a drop in tourism as visitors shunned the region, the study said.

"Indonesia could have used its lost resources to provide basic sanitation, water and sewage services for 40 million people, or about one-third of the rural poor," said David Glover, director of Economy and Environment. "Our work did not take into account such costs as long-term damage to health, which may persist for decades and even exceed the short-term health costs, or losses directly attributable to fire, which are believed to be considerable, possibly equaling or exceeding those of the haze alone."

"The fires in the forests are very difficult to control," said the Indonesian environment minister, Sarwono Kusumadmadja, adding that 4,000 hectares (about 10,000 acres) of land were burning in Kalimantan Timur, an estimate environmentalists said was much too low.



An Indonesian farmer Wednesday at the charred remains of a cemetery near Samarinda, Kalimantan Timur.

## Taiwan Economy Weathers Stormy Asian Seas

By Edward A. Gargan  
New York Times Service

TAOYUAN, Taiwan — Every 12 seconds, a matte black computer monitor tube slides off a robotized assembly line here and is packed by human hands in Styrofoam cases for shipment around the world. Last year, the company, Chunghua Picture Tubes Ltd., shipped 20 million of them to computer makers from IBM and Philips to Toshiba and Acer.

Yet despite such blue-blooded customers and the increasing efficiency of its operation, profits at Chunghua, an unlisted subsidiary of one of Taiwan's largest conglomerates, the Tatung Co., have continued to sink.

Chunghua's quandary lies at the heart of the financial and economic crisis that has engulfed much of Asia. Wildly excessive corporate borrowing in South Korea, Japan, and much of Southeast Asia caused currencies to plummet, leading many companies to slash prices in an effort to export their way out of crisis. Competitors in Korea, in particular, have forced Chunghua again and again to cut prices, sinking profits in the process.

But Lin Chen Yuan, who runs the company, is confident that he can ride out the storm, buoyed by the financial strength of his own company and sheltered by the Taiwan economy, which has been relatively calm throughout the typhoons afflicting the rest of the region.

Taiwan survived its own excesses earlier in the decade, analysts here and elsewhere in Asia say, emerging in better shape than neighbors.

"I'm optimistic," said Kuo Wen-

chung, an economist at the Chinese Economic Institute, which does economic research for both industry and government. "We're still enjoying the fruits of our past efforts."

Across the spectrum, from wary analysts to government economists, from bankers to manufacturers, the country is seen as running a solid economy blessed with towering foreign exchange reserves, now worth \$83 billion; a healthy although shrinking trade surplus; relatively low debt levels, and growth in excess of inflation expected to be near 6 percent this year.

This is not to say that Taiwan's earlier problems have allowed the country to pass through the current Asian crisis unscathed.

"Of course we are affected," said Jeffrey L. S. Kuo, the chairman of Taiwan's largest private bank, Chinatrust Commercial Bank, sitting in his office graced by a moody, very blue Marc Chagall painting. In the elegant waiting room outside, tucked behind a thick pane of glass, hangs an early work by Claude Monet. "Our currency had devalued about 15 percent. But Taiwan is still in very good shape. It's very simple. The balance of trade has been favorable, around \$15 billion. And Taiwan had its property bubble several years ago."

While some Taiwan banks remain burdened by excessive loans to builders, construction cranes no longer speckle the skyline here like so many one-legged flamingos. Taiwan's construction boom

roared in during the late 1980s and created a bubble of overbuilding and over-lending that popped early in this decade.

"We're in a different economic cycle," said Jeffrey Liang, the head of research at the Nomura Securities Investment Advisory Co., a unit of the Japanese investment banking concern. Taiwan had its own bubble in 1986 to 1990. We had a political confrontation with China in 1996 and growth sank to 5.7 percent. We've just emerged from the trough."

But even more important is the difference between Taiwan's economy and most of the others in the region. "Taiwan is more flexible than many of these other countries," Mr. Liang added. "Taiwan has focused on small and medium businesses rather than the large conglomerates like South Korea and Southeast Asia."

And more than anywhere else in Asia, Mr. Liang said, Taiwan's restrictive and regulated banking system prevented an avalanche of risky lending abroad. "Banks in Taiwan have been quite conservative," he said. "They won't suffer very much. They have very little exposure to the region."

And given the heaps of scorn that have now fallen on the "crony capitalism" practiced in much of Asia, Diahann Brown, who oversees an investment fund that concentrates on Taiwan, is convinced that this politically isolated island nation will serve as a beacon in the midst of economic change.

"It is the model of Asian capitalism," she said. "The Koreans only wanted market share at any cost. But Taiwan was much more conservative and the government is much less involved in foreign investment and in creating politically connected corporations than anywhere else in Asia."

Indeed, its isolation may prove a blessing in disguise. "Taiwan knows," Ms. Brown said, "that if things go wrong, nobody is going to help them." Chiang Pin-kung, chairman of Taiwan's cabinet-level Council for Economic Planning and Development who exercises authority over economic strategy, is scathing in his assessment of the policies followed elsewhere.

A lot of money borrowed in Southeast Asia went not into manufacturing but into the stock market and the property market," he argued. "The competitiveness of our economy is manufacturing."

In less than a decade, the structure of Taiwan's exports has changed dramatically. In 1990, according to the Finance Ministry, electronics and semiconductors accounted for only 2.5 percent of manufacturing. But by last year, the share was about 37.5 percent.

Mr. Kuo predicted that Taiwan would sustain strong growth this year, although he anticipated a somewhat lower rate than the Finance Ministry's projection of 6.7 percent.

Still, he says he sees problems looming down the road.

"Five years from now, when our current products are losing competitiveness, we will be in trouble," he said. "To maintain Taiwan's competitiveness, we need new technology, new products and new markets."

## BRIEFLY

## Communist Elite Gathers in China

BEIJING — China's Communist elite gathered behind closed doors Wednesday to start a three-day meeting, a week before the opening of the annual session of Parliament, party sources said.

The party elite, including about 200 members of the Central Committee and veteran revolutionaries, were to debate 11th-hour changes to a proposal to streamline the government bureaucracy by spinning off corporations under ministries, the sources said.

Officials reached by telephone declined to comment on the meeting, but witnesses said security was tight in and around the Jinxin guesthouse in western Beijing, where the sources said the meeting was under way. (Reuters)

## Taleban Arrests Squatter Soldiers

KABUL — Taleban troops swept through once-posh neighborhoods of the war-devastated Afghan capital Wednesday, arresting fellow soldiers who had illegally occupied homes after the militia took over Kabul.

The Taleban forced President Burhanuddin Rabbani and his military chief, Ahmed Shah Massoud, to flee Kabul in 1996, leaving behind scores of empty homes once occupied by his government ministers and commanders. Militia authorities took over some of the homes, while others were occupied by bands of armed soldiers.

The authorities said they found at least 30 soldiers Wednesday who had illegally occupied several homes. Several soldiers who resisted arrest were beaten, witnesses said. (AP)

## Radicals Linked To Blaze in Tokyo

TOKYO — A fire broke out and destroyed part of the home of a former Transport Ministry official in Tokyo on Wednesday, and the police said they believed the blaze to be the work of radicals opposed to expansion of the international airport at Narita.

There were no reports of injuries, a police official said.

At the scene, police investigators found batteries, wires and a container of fuel that might have been used to start the fire in the house of Hisao Takahashi, former chief of the ministry's civil aviation bureau, the official said. Mr. Takahashi is now a senior adviser to Japan Airport Terminal Co. at the airport, 65 kilometers (40 miles) east of Tokyo. (AP)

## For the Record

The police used batons and tear gas and fired shotguns into the air Wednesday to disperse about 500 protesters in Dhaka, Bangladesh, witnesses said. No arrests were reported, but an opposition leader said 12 people were injured. (Reuters)

## Indonesian Students Hold Protest

The Associated Press

JAKARTA — About 200 students and faculty members gathered on a state university campus here Wednesday to shout slogans against President Suharto, despite a ban on political rallies.

The police did not intervene. The demonstrators at the University of Indonesia said they were protesting government cronyism that they contend has aggravated the nation's economic crisis.

Chanting and raising their fists, the protesters called for the ouster of President Suharto, 76, who is almost certain to win a seventh, five-year term in elections next month.

In the city of Yogyakarta on Java, meanwhile, hundreds of students marched against Mr. Suharto to protest his handling of the economic crisis. "Bring down Suharto," read a banner in the peaceful protest at the Gajah Mada University.

A special assembly, which will virtually guarantee Mr. Suharto's re-election, will meet in early March to elect the new president and vice president, most likely B. J. Habibie, the research and technology minister who is an ardent economic nationalist.

The army, already jolted by riots over price increases outside Jakarta, the capital, has said it will intervene to stop any disruption of the vote.

On Monday, the armed forces enforced a 25-day ban on political rallies, arresting three women who were protesting on a main thoroughfare in the capital. The ban will be in effect until March 18, a week after the presidential election.

At the rally at the University of Indonesia, protesters sprayed black paint over a billboard declaring the university a "New Order" campus. New Order refers to Mr. Suharto's governing system, which views economic development as the nation's priority and restricts many political freedoms.

A truck full of police officers was parked near the campus gates and policemen and soldiers with walkie-talkies watched from the street.

But the protesters, many of them wearing bright yellow university jackets, did not leave the campus.

## INDONESIA: Hard-Hit Jakarta Looks On as 2 Other Nations in Asia Begin Political and Economic Recovery

Continued from Page 1

business favors to key support groups, including his family members and cronies.

Despite looming recession, a sharp rise in unemployment, painfully high interest rates and other problems South Korea and Thailand, investors and creditors seem increasingly convinced both countries have representative governments that will root out crony capitalism, reduce state interference in their economies, and overhaul their troubled banking systems.

After initial signs of rejection, South Korea and Thailand have swallowed the IMF's unpleasant medicine of government spending cuts, higher taxes and interest rates, and sweeping structural reforms of their economies. This includes a clean-up of the financial system that permitted banks to lend rashly to companies for excessive property development or industrial expansion, causing widespread bankruptcies and bad debts.

"I believe we have demonstrated our readiness to 'bite the bullet' and tackle our problems so as to restore the viability and dynamism of our economy," Chuan Leekpai, Thailand's prime minister, said Monday.

His government has impressed the markets by closing 56 of Thailand's 91 finance and securities companies that were judged to be insolvent, moving resolutely to privatize or recapitalize banks and lifting currency trading restrictions on the Thai baht. On Tuesday, it raised taxes on gasoline and luxury goods in an effort to show its com-

mitment to IMF austerity conditions.

South Korea has also impressed the markets, analysts say, by implementing reforms to open the way for greater labor flexibility, corporate restructuring and foreign ownership in its economy, while reaching agreement with international banks to turn a large part of the country's private sector debt from short-term loans into more manageable longer-term ones.

Rescheduling Indonesia's \$74 billion private debt mountain is much more difficult because, unlike South Korea where most of the money was borrowed by a small number of banks, there are several hundred Indonesian companies that have loans outstanding.

Yet, in the past few months, instead of soothing markets, Mr. Suharto has rattled confidence in Indonesia's recovery by approving a budget that defied IMF requirements. Then, after the rupiah plunged, the president personally signed a strengthened IMF reform program.

Within weeks, before the program had a reasonable chance to work, he was flirting with the idea of a fixed exchange rate under a currency board system to force up the value of the rupiah, partly to save well-connected companies, including those belonging to his family and friends, from going bust, analysts said.

Reflecting a view that is widely held in financial markets, the IMF's Asia-Pacific director, Hubert Neiss, said recently that Thailand had "turned the corner, along with Korea."

Indonesia, he added, "is still in the intensive care unit. We will have to wait until the political situation gets clearer to

be able to predict a full recovery."

That situation includes doubts about who will succeed Mr. Suharto as president after he is re-elected for a seventh and, almost certainly, final five-year term next month, and whether the next government will be more, or less, committed to reforms than the present one.

Meanwhile, Thai and South Korean foreign exchange reserves and currencies have strengthened as a result of the revival in market confidence.

By contrast, Indonesia was forced last month to declare a de facto freeze on repayment of overseas loans by its private companies because the Indonesian rupiah had fallen much further in value against the dollar than any other Asian currency. It is down by nearly 75 percent against the dollar, compared

with 49 percent for the Korean won and 41 percent for the Thai baht.

The contrast was underscored Tuesday in Washington when Treasury Secretary Robert Rubin said: "I think that in Korea and Thailand, governments have worked very well toward implementing the IMF programs. I think they are on a very constructive path. In Indonesia, you obviously have a somewhat difficult situation."

At the same time, the White House announced that President Bill Clinton had asked former Vice President Walter Mondale to travel to Indonesia this weekend, his second special envoy to see Mr. Suharto in a month. Mr. Rubin described Mr. Mondale's visit as an effort to re-establish a dialogue with Mr. Suharto on Indonesia's reform efforts.

Mr. Mondale's trip, officials told The New York Times, will chiefly deliver a political message: that Mr. Suharto must choose his next cabinet carefully, avoiding longtime cronies, and create an economic team that the markets will perceive as willing to work with the IMF program.

"The first lesson from the Asian crisis is that a government that is not answerable to its people will not be likely to have open markets or the institutions required to impose discipline to overcome a financial crisis," said Martin Lee, chairman of the Democratic Party of Hong Kong. "It is important for the West to seek not only economic restructuring from Asia's teetering autocratic regimes, but substantial political reform as well."

## KOREA: Legislators Immediately Rebuff Kim on Prime Minister

Continued from Page 1

figure from South Korea's repressive past and lacks the experience to revive the nation's economy.

"It's improper to ram through the appointment of Kim Jong Pil as prime minister," Maeng Hyung Kyu, a party spokesman, said Wednesday. "We urge the government to select a wise figure who will help the nation overcome its present crisis."

Kim Dae Jung and his associates argue that the voters knew about the arrangement and that the nomination of Kim Jong Pil as prime minister is thus the voters' will. They say that Kim Jong

Pil will not withdraw his candidacy and that they will try to get enough defectors from the opposition to win approval.

"I sincerely hope that there will be agreement over the appointment of Kim Jong Pil as prime minister," Kim Dae Jung told dinner guests Wednesday. Referring to the opposition, he added, "I also hope that I will receive cooperation so that I can fulfill the tasks of the presidency."

The prospect of a political battle sent the Seoul stock market tumbling, with the composite index closing down 4.5 percent.

The delay in selecting a prime minister has also forced a postponement in

the announcement of the cabinet, which is nominally chosen by the prime minister. The prime minister's job has far less weight than the president's, but if the president dies, the prime minister takes over — a significant consideration because President Kim is 74 years old and beginning a five-year term.

Kim Jong Pil is also an important figure because under his deal with President Kim, South Korea is supposed to switch by the end of next year to a parliamentary system, with Kim Jong Pil running the country as head of government. But there are a few loopholes in the agreement, and many doubt that it will be put into effect.

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GREAT BRITAIN (P)	2,250	850	62%
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ITALY (L)	26,000	12,100	54%
JAPAN (¥)	1,100	400	64%
NETHERLANDS (G)	1,100	400	64%
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SPAIN (Ptas)	11,700	5,000	57%
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EUROPE

# Defector Details Soviet Germ Project

## Dwarfing U.S. Program, Moscow Made Tons of Anthrax Bacteria

By Tim Weiner  
New York Times Service

WASHINGTON — A defector from the former Soviet biological weapons program says that Moscow's Cold War plans for World War III included preparing "hundreds of tons" of anthrax bacteria and scores of tons of smallpox and plague viruses.

The defector, Kanatjan Alibekov, now known as Ken Alibek, was second-in-command of a branch of the Soviet program and defected in 1992. He said in an interview Tuesday that these bacteria and viruses could have been mounted on intercontinental ballistic missile warheads on several days' notice in the early 1980s.

Dr. Alibek, a 47-year-old native of Kazakhstan, said the Russian military was still running a biological weapons program in 1991, a year after Mikhail Gorbachev ordered it halted.

Dr. Alibek, who said he had decided to speak publicly for the first time to fight the spread of biological weapons and to seek absolution for making them, was introduced to The New York Times by producers of the ABC News program "PrimeTime Live," which interviewed him last month and was to broadcast the interview Wednesday night.

Dr. Alibek, who works as a private consultant, has written a highly classified study of the Soviet biological weapons program for the U.S. government. Now he is offering a unique public description of a weapons program that was for decades one of Moscow's deepest secrets. Considered by U.S. intelligence officials to be credible about the subjects he knows firsthand — the size and structure of the Soviet biological weapons program from 1975 to 1991 — Dr. Alibek is thought to be less reliable on political and military issues he knew secondhand.

He said he believed a vestige of Moscow's Cold War biological-weapons program is continuing under the guise of defensive research in Russia. The offensive-weapons program was officially canceled by President Gorbachev in 1990, officially canceled again by President Boris Yeltsin in 1992, and remains officially defunct today.

Nevertheless, Dr. Alibek said, "they continue to do research to develop new biological agents; they conduct research and explain it as being for defensive purposes."

This question of whether Russia persists in the research and development of biological weapons is hotly debated in the U.S. intelligence community. Many analysts think some elements of the old Soviet program are continuing, but are far from certain that these include the development of offensive weapons.

"We can say Russia continues research in this area to maintain its military biological potential," Dr. Alibek said. "They keep safe their personnel, their scientific knowledge. And they still have production capability."

The American biological-weapons program was canceled by President Richard Nixon nearly 30 years ago. The United States continues to do research on programs to defend itself against biological attack, as Russia says it now does.

But Dr. Alibek said the Soviets never believed that the American biological-weapons program had ended. Through the 1970s and the 1980s, they pursued their own program in a secret arms race against a perceived threat.

Dr. Alibek, a medical doctor who held the rank of colonel in the Soviet military, left the former Soviet Union in 1992.

After he arrived in the United States, he was debriefed for the Central Intelligence Agency by Bill Patrick, who helped run the United States' biological-weapons program from 1948 to 1969.

Mr. Patrick said he learned in his talks with Dr. Alibek that the Soviet program "paralleled ours very closely" in terms of military technology, though "it took them many, many years to get past us with respect to biological agents, delivery systems and munitions."

By 1989, he and Dr. Alibek said in separate interviews, the Soviet program dwarfed the United States effort. "If we produced a pound of anything they produced a hundred to five hundred," Mr. Patrick said.

But in late 1989, Dr. Alibek said, there came "a time of severe pressure from the United States and Great Britain to stop the Soviet Union offensive programs." There also came the seeds of doubt that led to his defection.

# Georgia Kidnappers Free Last 3 Hostages

DZHIKHASHKARI, Georgia — Kidnappers freed their three remaining United Nations hostages Wednesday as talks on Georgia's political future began with President Eduard Shevardnadze.

Gen. Charkviani, Mr. Shevardnadze's foreign policy adviser, said that all hostages were freed by Wednesday afternoon but that the kidnappers' leader had escaped. Russian news reports said three of the hostage-takers surrendered.

The weeklong siege ended as promised after a representative of the kidnappers began negotiations with Mr. Shevardnadze. The hostage-takers, who are followers of a previous Georgian president, had issued a broad array of demands, but had said they would give up if Mr. Shevardnadze would agree to talk to them.

A Shevardnadze spokesman said the talks could be seen as the start of a political dialogue with supporters of former President Zviad Gamsakhurdia, who was deposed in a coup in 1992 and died two years later.

The kidnappers seized four UN military observers on Feb. 19 and barricaded themselves in a house in this western village. Their demands included the release of seven jailed comrades and the talks with Mr. Shevardnadze. Details of the discussions were not immediately released.



Major Marten Molgard of Sweden heading for freedom with two other UN officials after their release Wednesday by Georgian kidnappers.

# Belgium Guards Tackle Cash Pileup

BRUSSELS — Security guards returned to work Wednesday, ending a six-week strike for better protection on armored cars that left many cash machines empty and caused cash to pile up in shops and banks.

On their first day back on the job after a deal between unions and employers on increased security and other matters, security guards — accompanied by six heavily armed policemen per convoy — shuttled cash to and from 150 locations across Belgium, mostly banks, shops and supermarkets.

A state police spokeswoman said so much cash had piled up during the strike that police would accompany money transports between major cities for several days.

Security guards began a strike for more safety measures on Jan. 12 after a highway robbery in which two colleagues were killed. During the Christmas holidays one guard was gunned down on a sidewalk outside a Brussels shopping mall.

Separately, jail guards in Belgium's French-speaking southern half ended a one-month strike when the government satisfied their demand for a 36-hour workweek without loss of pay.

# Dini Sets Dates For Trip to Tehran

ROME — Foreign Minister Lamberto Dini will visit Iran on Monday and Tuesday, senior Foreign Ministry sources said Wednesday. It will be the first trip to Iran by an EU foreign minister since the European bloc lifted its ban on high-level contacts with the Islamic republic.

Mr. Dini accepted an invitation from the Iranian foreign minister, Kamal Kharrazi, to discuss relations between the two countries and the situation in the Middle East and the Gulf, the ministry sources said.

The EU's decision to lift its ban on contacts is part of an effort by the bloc to repair strained relations with Tehran.

The ban on high-level contacts was imposed after a German court ruled in April that Iranian leaders ordered the 1992 killing of three Kurdish dissidents in a Berlin restaurant.

The Foreign Ministry sources expressed satisfaction with the EU's decision, which they said "responds to the evolution in Iran."

# Communist Elite Gathers in China

BEIJING — China's Communist elite gathered behind closed doors Wednesday to start a week-long session of the annual session of the party's top body, the Politburo.

The party elite, including 200 members of the Central Committee and veteran revolutionaries, were to debate 11th-hour changes to a proposal to streamline the government bureaucracy by merging off corporations under national control.

# Taliban Arrests Squatter Soldiers

KABUL — Taliban troops arrested once-poseh neighbors in the war-devastated Afghan city of Kabul Wednesday, arresting fellow soldiers who had illegally occupied the city after the militia took over.

The Taliban forced President Burhanuddin Rabbani and his family to flee Kabul in 1996, leaving scores of empty homes once occupied by his government and commanders. Militia units took over some of the houses while others were occupied by armed soldiers.

The authorities said they arrested 15 soldiers Wednesday who had illegally occupied several houses. Soldiers who resisted were beaten, witnesses said.

# Radicals Linked To Blaze in Tokyo

TOKYO — A fire broke out Wednesday part of the home of a Japanese Minister of Education in Tokyo on Wednesday, and police said they believed it to be the work of radicals opposed to the government's education policy.

There were no reports of injuries or deaths. Police investigators said the fire started in the home of a ministerial aide. The fire broke out in the home of a ministerial aide. The fire broke out in the home of a ministerial aide.

# For the Record

The police used batons and gas to clear a crowd of protesters in Dhaka, Bangladesh, Wednesday. No arrests were reported, but an opposition leader said 10 people were injured.

# and Economic Recovery

Mr. Mendonça's trip, officials of the New York Times, will likely be a political message that Mr. Salim Chamone has not yet been elected. Chamone's name is still in the running for the post, and he is expected to be elected in the coming months.

# off Kim on Prime Minister

The announcement of the cabinet is normally chosen by the prime minister. The prime minister's list is less weight than the prime minister's list. The prime minister's list is less weight than the prime minister's list.

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**ERICSSON**



By Molly Moore  
and Peter Dunlop

**MEXICO CITY** — The  
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marks history. Elements of  
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are made public. Tuesday will be the last another try, said a spokesman on education secretary William Stein University of Michigan. The American people are not ready to accept the results. "Our best students are small and science are simply not well known from the very small percentages of publishing advanced publications among the world's best," he said.

He said second paragraph was the dominance of the United States in the world. "The United States is a global economy based on science and technology. It is the only country in the world that can come from the United States Mathematics," said.

He said that in the spring of 1980, he said that students on their own had not seen of research. He said that it comes throughout on the world and almost half that in the work of the other two countries. He said that the other two countries are not able to do that.

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secretary Richard  
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Continued from Page 11

was ready about a hour previous to the rallies did to spread during the day to reporters and who was sent to Mr. Starr's chambers to open an overhead book in the office of the Clinton nation publishing negative stories about the prosecutor's means. They said that it would be the first for the Clinton learn to be the professional background of their staff. But they used it to be useful. "bizarre," said Bennett, a former federal prosecutor, "for defense lawyers to use the private lives of prosecutors." The White House has declined to say any such thing, while the spokeswoman has said that Clinton counsel's office has been asked media calls asking about

MEXICO CITY — Fidel Castro won his election to a fifth term as president of Cuba by denouncing the new U.S. aid proposal.

...opened its five-year  
...by re-electing Mr. Castro  
...top members of the cabinet  
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...Mr. Castro called the terms  
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...we accept with dignity, that  
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German prosecutors Wednesday said they have new allegations against the businessmen who tried to smuggle weapons to Libya.



## INTERNATIONAL

## Mexico City's Mayor Shines a Light in the Dark Files of Corruption

By Molly Moore  
Washington Post Service

MEXICO CITY — Behold the inheritance bequeathed to the first elected mayor of this mammoth metropolis in modern history: Hundreds of computers wiped clean of all data, a payroll on which one of every 10 paid employees never showed up for work and a property office that could not account for almost half the city-owned buildings and real estate.

And that was just for starters. In the three months since Cuauhtémoc Cardenas and his opposition party assumed control of the city administration from ruling-party appointees who had run it for nearly seven decades, officials have excavated levels of corruption so pervasive that one of the mayor's cabinet members described the government as "one big, black enterprise."

The capital's "successive governments promoted and legitimized corruption as a 'normal' way of life and work, and implemented it as the unwritten norm

for the relations between officials and citizens," said Mr. Cardenas, a member of the left-of-center Party of the Democratic Revolution, who campaigned on promises to clean up city hall.

Allegations of corruption are hardly new in a city where citizens routinely must pay bribes to obtain a water or telephone hookup, a driver's license or virtually any other government service.

But as opposition leaders in the capital and elsewhere in Mexico begin to break the grip of the ruling Institutional Revolutionary Party, Mexico's government is undergoing a new revolution: the birth of this democracy's first independent system of checks and balances.

Using legal weapons that were virtually unheard-of in Mexico three years ago, newly elected opposition mayors, governors and members of Congress are launching investigations and audits of government corruption and ineptness. No longer just the subject of speculation and rumors that were swept under the carpet of one-party rule, government

scandals are the daily fodder of headlines in the national and local press.

"What we are having now is full exposure," said Sergio Aguayo, president of Civic Alliance, a private, good-government advocacy group. "That is an important aspect of the change we need. Democracy is not only free and fair elections. We have reached the moment when we have to create the laws and institutions that will sustain a culture of accountability."

The emerging view of the seamy side of Mexico City's government — which administers to 8.5 million residents inside the city limits of the federal district — has surprised even critics of the ruling party.

The city prosecutor, Samuel del Villar, estimated that as much as 40 percent of the city's \$4.5 billion in annual revenue is stolen by criminal organizations within the city government, dishonest employees and inefficiency. "We are just looking at the tip of the iceberg," Mr. del Villar said. "We don't know how big it is."

A former PRI mayor, Oscar Espinosa

Villarreal, who has since been appointed federal secretary of tourism, has said little publicly about the allegations. But one of his former cabinet members, whom he permitted to be interviewed on the condition that his name not be used, said: "It is false that the problem is of the dimensions they said it is. It is impossible. We systematically fought corruption. Some of the cases they are presenting now were started during our administration."

Mr. Cardenas and his senior officials concede that it will be difficult to prove many of their allegations in court because so many records from previous administrations have been destroyed or are in disarray. In addition, the city workers' union is fiercely protective of

employees, many civil servants fear speaking out, and many others have no interest in changing a system that has been used to supplement their meager salaries.

Current administration officials said they had found corruption and misuse of public funds at every level of the city government. Examples alleged by Cardenas administration officials include:

- Dozens of city offices were stripped of computers, telephones, furniture and files when the previous administration left office. Secretary of the Government Rosario Robles and Social Development Secretary Clara Jusidman both said their offices were bare.

- Of the 16,000 city-owned vehicles Mr. Cardenas's administration has been

able to locate, 4,000 are virtually unusable without extensive repairs and 2,000 are in such poor condition that they should be sold as junk — even though millions of dollars in fake bills were submitted to the city for vehicle maintenance. Hundreds more, particularly late-model autos, simply disappeared in the final months of the previous administration.

- Criminal organizations with sources working in the city's data processing and computing offices continue to electronically steal city funds and divert them to private bank accounts.

- City officials say they cannot identify 22,000 of the city's estimated 50,000 buildings and properties because the records don't exist.

## DUMB: International Science Test Results Dismay U.S. Educators

Continued from Page 1

were made public Tuesday. "This study has burst another myth," said William Schmidt, an educational statistician from Michigan State University who coordinated the American portion of the study. "Our best students in mathematics and science are simply not world class. Even the very small percentage of students taking advanced placement courses are not among the world's best."

The results seemed particularly jarring given the dominance of the United States in a global economy based increasingly on information and technology.

The data come from the Third International Mathematics and Science Study, which in the spring of 1995 tested samplings of students in their fourth, eighth and last year of school. More than 40 countries participated in the eighth-year portion and about half that number on each of the other two sections. The Asian nations, usually superior performers, did not take part in the high school portion.

The results for fourth-year students, made public last June, showed the United States to be above the international average and were hailed as evidence that the attention of recent years to improving American schools was starting to pay off.

The eighth-year results, issued seven months earlier, had raised concern because Americans dipped below the international average in mathematics although they scored above it in science.

But the latest results, for high school seniors, are being greeted with shock and dismay by large numbers of educators.

"There is something wrong with the system, and it is our generation's responsibility to fix it," Mr. Clinton said. "You cannot blame the schoolchildren. There is no excuse for this."

Education Secretary Richard Riley said the results confirmed what the ad-

## Falling Behind in Math and Science

A new study of high school seniors in 23 countries shows U.S. students scored significantly lower than students in other countries.

	MATH	ADVANCED MATH	PHYSICS
Nations with scores above the international average†	Netherlands Sweden Denmark Switzerland Iceland Norway	France Russia Switzerland Denmark Cyprus Lithuania	Norway Sweden Russia Denmark
Nations with scores close to the international average	Italy Russia Lithuania Czech Republic United States	Australia Greece Sweden Canada Slovenia Italy	Slovenia Germany Australia Cyprus Latvia Greece
Nations with scores lower than the international average	Cyprus South Africa	Czech Republic Germany United States Austria	Switzerland Canada France Czech Republic Austria United States

\*Rankings within groups may not be reliable due to variance in statistical sampling.  
†International average is the average of all participating countries.

Source: Third International Mathematics and Science Study

NYT

ministration has been saying: that the country needs clearer and firmer academic standards and far-better-prepared science teachers.

Conservative lawmakers have opposed national tests — standard practice in some countries — on grounds that they would represent a centralization of education, which they view as more properly a local and parent-controlled endeavor.

While earlier versions of the international study, in the 1960s, '70s and '80s, produced equally poor results for American high schoolers, they were largely discounted because of perceived social

and educational differences between the United States and other countries. The U.S. sample, it was argued, included more immigrants and members of minority groups. This time, officials say the differences have narrowed, and those that remain were statistically accounted for.

Those who carried out the study said there were no clear or simple explanations for the low level of American performance. "It is not class size or homework or social life or television," said Ina Mullin of Boston College, co-director of the study. "Around the world, everybody watches television."

## CLINTON: Legal Conflict With Starr Heats Up to 'Danger' Level

Continued from Page 1

remain murky about what precisely Mr. Clinton's allies did to spread derogatory information to reporters and what exactly led to Mr. Starr's extraordinary move to open an obstruction investigation — even if the Clinton team had been peddling negative stories about members of the prosecutor's team.

Lawyers said that it would be common practice for the Clinton team to investigate the professional backgrounds of Mr. Starr's staff. But they said it would be highly unusual — "bizarre," said Bruce Yarnett, a former federal prosecutor — for defense lawyers to scrutinize the private lives of prosecutors.

The White House has denied that it has done any such thing, while Mr. Starr's spokeswoman has said the independent counsel's office has been deluged with media calls asking about both

the professional and personal lives of at least two prosecutors.

"They look desperate if they engage in this stuff," said Gerard Lynch, a Columbia University law professor. At the same time, legal experts said it was difficult to imagine Mr. Starr bringing a federal obstruction of justice case against Mr. Clinton or his partisans for what appears to be an exercise of their First Amendment rights.

"I'm stupefied," said Robert Luskin, a criminal defense lawyer and a former federal prosecutor. "What incredible bad judgment. I don't think you use the grand jury authority to harass people who are criticizing you."

He added, "If the idea is that somehow you can't accuse the prosecutor of being an unscrupulous dog without trying to obstruct justice, that's crazy."

Mr. Gillers described the pox-on-both-their-houses stance of many lawyers:

"If the Clinton camp concludes these prosecutors are overzealous and have lost objectivity and then goes out and gathers evidence of equivalent excess in prior matters, that's within the rules of war."

"I do have a problem, however, if they were to reveal personal information about a particular prosecutor, say a messy divorce or a child custody battle. I think that is beyond the pale and unacceptable to the White House."

But Mr. Gillers also said that although he previously thought Mr. Starr was justified in aggressive tactics because of the transgression he has confronted in dealing with the White House, the Blumenthal subpoena appeared to be over the edge.

"I cannot conceive," he said, "of a legitimate law enforcement purpose in serving the subpoena. I can conceive of a vindictive purpose, and I can conceive that it may reflect that Starr has succumbed to being personal about this."

"What Starr has done is to provide the country with Exhibit A to the president's claim that Starr is out to get him," he added.

## BRIEFLY

## Castro Assails U.S. Over Aid Proposal

MEXICO CITY — Fidel Castro greeted his election to a fifth term as the president of Cuba by denouncing a new U.S. aid proposal.

Cuba's new Parliament, elected in January, opened its five-year term Tuesday by re-electing Mr. Castro, 71, and other top members of the cabinet. Mr. Castro was the only candidate for president. In a seven-hour speech after his election, he denounced a proposal before the U.S. Congress that would permit American aid to Cuba, but only if it was distributed by charitable groups.

Mr. Castro called the terms "humiliating," according to the government's Prensa Latina news agency. "We accept with dignity that any country wants to help us," he said, "but we are not disposed to play the role of beggars."

## Smuggling to Libya: A German Inquiry

FRANKFURT — German prosecutors said Wednesday that they were investigating new allegations that Libyan businessmen have smuggled weapons to Libya.

The German press has reported that the material included technology to

extend the range of Scud missiles that were supplied to Libya by Iraq.

But the prosecutors confirmed only that they were investigating, and that the suspects were believed to have violated export bans.

Since 1990, at least six Germans have been convicted and imprisoned of providing Libya with technical equipment and other material intended for the manufacture of poison gas.

The newspaper Sueddeutsche Zeitung reported that one of the new cases involved an attempt by a Berlin man and several accomplices to smuggle 660 tons of material used in rocket fuel from Belarus to Libya. (AP)

## Reno Praises Mexico

WASHINGTON — The U.S. attorney general, Janet Reno, says cooperation between the United States and Mexico in the war on drugs has improved, and she praised the government for extraditing more fugitives to the United States for prosecution.

"I never dreamed three years ago I would be seeing extradition at the rate that we're seeing it," Ms. Reno said Tuesday at a Senate Appropriations subcommittee hearing on the Justice Department's budget request for the 1999 fiscal year. "There is now a good working relationship between the two nations."

The Clinton administration faces a March 1 deadline to certify whether Mexico has cooperated in anti-drug efforts. (AP)

## U.S. Airlines Had 3 Fatalities in '97

The Associated Press

WASHINGTON — U.S. airlines experienced one of their safest years ever in 1997, just after one of their deadliest years on record.

The National Transportation Safety Board said three people, only two of them passengers, died in accidents involving major American carriers last year. By comparison, there were 342 deaths on major American air carriers in 1996.

The nation's smaller carriers recorded 46 fatalities last year, up from 14 in 1996. There were 40 deaths on air taxis, down from 63 in 1996.

## POLICY: A Wary White House Set Terms for Annan's Iraq Trip

Continued from Page 1

visitors moved from a desire to hit President Saddam Hussein with the biggest military strike of the Clinton presidency to the conclusion that it would be difficult to mount such an operation without much more international support.

As the crisis grew, Bill Richardson, the U.S. representative to the United Nations, strongly opposed Mr. Annan's mission, arguing that the chief UN diplomat was too likely to give in to Iraqi demands and that an agreement with Mr. Saddam could not be trusted.

Defense Secretary William Cohen, who for months had argued passionately about the threat of chemical and biological weapons, remained wary.

The discussions were so far-reaching that at one point Vice President Al Gore suggested that the administration consider designating Mr. Saddam a war criminal, a proposal that prompted a debate on its risks and merits.

Ultimately, Mrs. Albright and Samuel Berger, the national security adviser, told Mr. Clinton that Mr. Annan's trip was a potential opportunity and not a trap. Together, the two aides developed the U.S. red lines for the mission.

During a White House meeting, the president made clear that the administration would support Mr. Annan's trip — but only to do Washington's bidding.

"You can't have Kofi going there and the United States not support it and then have military action," a top White House official quoted Mr. Clinton as saying.

"The president said: 'Look, I don't want him negotiating. It's our military that is getting the inspectors back in. I want a clear consensus among the international community, a consensus on his instructions before he goes to Baghdad.'" Mr. Clinton reportedly added, "I want a written statement with a signature."

Iraq had been testing the will of the inspectors since a Security Council resolution approved at the end of the Gulf War gave them unlimited access to Iraq with the aim of destroying its weapons of mass destruction.

But the debate over the inspections reached a critical point in November when Mr. Cohen sounded the alarm over Iraq's suspected cache of chemical and biological weapons. The defense secretary was not counting on diplomacy to solve the problem. After Foreign Minister Yevgeni Primakov of Russia brokered a diplomatic settlement in autumn, the Pentagon predicted that Mr. Saddam would block the inspectors again.

It took only a few weeks. In early

December, Baghdad told Richard Butler, the chairman of the UN Special Commission, that it planned to restrict access to certain presidential sites.

The Pentagon was ready to act. The plan was to launch a military strike against Iraq before Ramadan, the Muslim holy month, began at the end of December. Mr. Clinton also seemed ready for military action, an official said.

Not everybody in the administration was prepared to act that quickly, as it had not consulted extensively with the Congress or lined up support among the allies. Nor had it won over the public.

According to the Pentagon, the next opportunity to strike would come after Ramadan ended at the end of January.

By late January, Mr. Clinton had signed off on a military plan that could be carried out should diplomacy fail. But in Moscow and Paris, there was no enthusiasm for a military strike. The Russians and the French worked hard — separately and together — to head off a U.S. strike.

A French official paraphrased President Jacques Chirac of France as telling President Boris Yeltsin of Russia in a phone conversation: "You know, Boris, you and I are trying to avoid a war over there. Bill wants to strike. Maybe you and I have a role to play."

By early February, there was strong international pressure for sending Mr. Annan to Baghdad, but in a meeting with Security Council representatives from France, Russia, Britain and China on Feb. 11, Mr. Richardson said he could not see the value of a mission to Baghdad by Mr. Annan, participants in the meeting said.

It did not seem to matter to him that Mr. Annan was in the room.

By the time Mrs. Albright met Mr. Annan four days later, the U.S. position had changed.

She — along with Mr. Berger — knew that if the United States was the lone holdout on an Annan mission it would appear isolated. Washington could not stop Mr. Annan from going to Baghdad on his own authority.

Sitting in Mr. Annan's town house over lunch, Mrs. Albright laid out the red lines, insisting that the UN inspectors have "operational control" over all investigations of suspected biological and chemical weapons sites in Iraq. They would also have to have unrestricted access to all sites and serve as the sole judge of Iraqi compliance.

If Mr. Annan did reach an agreement with Mr. Saddam, she added, the United States wanted it in writing.

In heated discussions in the Security Council, the Russians gave up their de-

mand that the inspections of presidential sites be limited; the United States agreed to the French idea for the appointment of diplomatic "chaperones" for the inspectors and the postponement of air strikes.

But much to Washington's dismay, the council could not agree on written instructions for Mr. Annan. Before the secretary-general left, Sir John Weston, the chief British representative, read him words of "advice" based on what he said was "a level of agreement" — that met the U.S. requirements.

From the moment Mr. Annan arrived Friday in Baghdad, he knew the Iraqis were serious about cutting a deal, his aides said. Deputy Prime Minister Tariq Aziz insisted that the two talk privately that evening instead of waiting until their first scheduled meeting in the morning.

It was the beginning of a dozen hours of meetings with Mr. Aziz. By the next morning, Mr. Annan realized how difficult the negotiations would be.

He presented Mr. Aziz with the outline of an agreement that was based loosely on the advice he had received from the five permanent members of the Security Council. Mr. Aziz did not seem happy.

Mr. Aziz accused the inspectors of being too intrusive, a participant in the meeting said, saying they wanted to wander Mr. Saddam's residences and rifle through his belongings, something he said no sovereign leader could tolerate.

Mr. Annan dismissed much of what Mr. Aziz said as posturing for his colleagues, and from then on, the two men met one-on-one. But they could not agree on how intrusive inspections of the presidential sites would be. Mr. Aziz insisted that inspection of those sites be conducted only once and last only 60 days. When the meetings broke up at 2 A.M. there was no agreement.

The issue was still unresolved by noon Sunday, when Mr. Annan and three aides were driven in government limousines to the Republican Palace. Mr. Saddam's primary residence on the banks of the Tigris River and, ironically, one of the buildings off-limits to inspectors. There Mr. Saddam greeted his guests warmly.

Mr. Annan was described as respectful of Mr. Saddam, calling him a leader who needed to take a bold step for peace.

After three hours of talks that focused not only on the inspections but on Mr. Saddam's insistence on a deadline for lifting economic sanctions against Iraq, they struck a deal allowing inspectors immediate and unconditional access throughout the country. It also provides for diplomatic chaperones on inspecting the eight presidential sites.

## IRAQ: U.S. Reports Reassurances From Allies if Saddam Reneges

Continued from Page 1

accord would leave the United States "in a box."

He said Wednesday that it was tantamount to buying "peace at any price."

"It is always possible to get a deal if you give enough away," he said. "The deal negotiated by UN Secretary-General Kofi Annan with Iraq does not adequately address the threat posed by Saddam Hussein."

The Senate has no role in ratifying the accord. But Mr. Lott's scathing criticism from the floor of the Senate appeared likely to embolden some other congressional critics who view the agreement as an ill-advised acquiescence to a man deeply mistrusted by many Americans.

"Instead of standing on principle," Mr. Lott said of Mr. Annan's efforts, "he sat with the unprincipled and gave him what he wanted." In so doing, Mr. Lott added, Mr. Annan "has greatly harmed the credibility of the United Nations."

In New York, where Britain is proposing the UN resolution warning Iraq, the U.S. delegate to the UN, Bill Richardson, said that the administration favored a resolution making it clear that Iraqi noncompliance could prompt air strikes by U.S. and allied forces.

"We want to find a way to certify that if Iraq violates the agreement, there are going to be very serious consequences," Mr. Richardson said.

Mr. Lott said he was troubled by a sense that Mr. Annan had dictated a solution to the crisis to Washington.

"The secretary-general is calling the shots," Mr. Lott said. "The United States is not."

He added: "We must be clear. We cannot afford peace at any price."

The American public, which has had little love for Mr. Saddam since his forces invaded Kuwait in 1990, has been divided on the question of whether to begin a military attack against Iraq for its refusal of full access to UN weapons inspectors.

Many Americans, according to opinion polls, believe Mr. Saddam himself should be the target of an attack; others support diplomacy and warmly applauded Mr. Annan's efforts.

Mr. Lott's speech, which came a day after administration officials briefed members of Congress about the agreement, drew a tart response from the Democratic leader in the Senate, Tom

Daschle of South Dakota. "I don't know what purpose it serves by attacking one another at this point," he said.

Mr. Daschle said that some details of the accord remained unclear, notably whether weapons inspectors will have full access to sites they want to visit, as President Bill Clinton said Monday.

But Mr. Daschle added, "If ever there was a time for us to present a unified front to Iraq, this ought to be it."

Most criticism of the accord has come from Republicans, including several who have called for a substantial military attack by U.S.-led forces in the Gulf region. Mr. Clinton has made it clear that the United States will maintain a powerful military presence there until it is satisfied with Iraqi compliance.

Mr. Lott asserted that the agreement

would allow Iraq the influence over the composition of UN inspection teams that Mr. Saddam had long sought.

"After years of denying that Saddam Hussein had any right to determine the scope of inspections or the makeup of inspection teams, this agreement codifies his ability to do both," the majority leader said.

The agreement calls for some diplomats from the five permanent Security Council members to accompany inspectors to eight "presidential sites" that Iraq previously had declared off-limits.

This, Mr. Lott, contended, was "the beginning of the unraveling of the inspection process."

Secretary of State Madeleine Albright said Tuesday that there were ambiguities on some of the inspection procedures.

## Attacks on Americans

## CIA Takes Islamic Threats 'Quite Seriously'

By Walter Pincus  
Washington Post Service

WASHINGTON — Calls by Islamic militants for attacks on U.S. citizens, installations and allies around the world "are being taken quite seriously," according to a senior American intelligence official.

Although the calls were issued two weeks ago and linked to a threatened U.S. attack on Iraq, they "call for attacks to continue until U.S. forces 'retreat' from Saudi Arabia and Jerusalem," according to a memo prepared by the CIA Counterterrorism Center and released Tuesday by Senator Jon Kyl, Republican of Arizona.

The calls — which intelligence officials consider to be official religious decrees called fatwas — came from a coalition of Islamic religious groups in London and a terrorist financier in Afghanistan.

The London group called for the attacks to continue until UN economic sanctions on Iraq are ended, according to the CIA memo. The fatwa issued by a terrorist organization in Afghanistan headed by Usama bin Laden calls for the liberation of Muslim holy places in Saudi Arabia and Israel as well as the death of Americans — civilian and military — and their allies.

Farwas usually are rulings issued by high spiritual leaders who call on the faithful to carry them out as sacred duty. In 1989, Ayatollah Ruhollah Khomeini, then the religious leader of Iran, issued a fatwa calling for the death of the author Salman Rushdie for his book "The Satanic Verses."

Although the Muslim clerics issuing these rulings are not named, the London group referred to religious authorities in Lebanon, Jordan and Palestine, the memo said. Some U.S. analysts have questioned whether the groups have authority to issue such fatwas, but they still must be considered valid, one intelligence official said yesterday.

The fatwas issued two weeks ago "are the first from these groups that explicitly justify attacks on American civilians anywhere in the world," the CIA memo to Senator Kyl said. And although both groups have suggested that civilians are valid targets, "this is the first religious ruling sanctifying such attacks," the memo said.

Mr. bin Laden, a wealthy Saudi businessman who has repeatedly voiced threats to the U.S. presence in the Gulf, has been accused of financing several plots. His fatwa accuses the United States of "eagerness to destroy Iraq" and "fragment the states of the region" to guarantee Israel's survival.



## EDITORIALS/OPINION

## Herald Tribune

PUBLISHED WITH THE NEW YORK TIMES AND THE WASHINGTON POST

## Starr Loses His Way

It has long been apparent that Ken Starr has a tin ear for political appearances and public relations, but his decision to subpoena a White House aide, Sidney Blumenthal, undermines important legal and constitutional principles. On the tactical level, this move by the independent counsel is bone stupid. As a matter of principle, it is an attack on press freedom and the unrestricted flow of information that is unwarranted by the facts and beyond his mandate as a prosecutor.

This latest blunder fits a pattern of chronic clumsiness and periodic insensitivity to Mr. Starr's public responsibilities. His attempt to slough off his public duty and flee to Pepperdine University was dismaying. His political ties and refusal to give up private legal clients led us, in times past, to call for his removal. In four years he has failed to develop sensitivity to his obligations as custodian of an inquiry of national import. Apparently his staff contains no one who can talk him out of bad ideas.

Time he has failed in his obligation to the law itself. The effort to collect the name of every journalist who talked with a White House communications specialist amounts to a perverse use of the prosecutorial mandate to learn what the Nixon White House attempted to determine through wiretaps. Like any newspaper, we have an obvious selfish interest in the confidentiality of the reporting process. But you do not have to be a journalist to see that Mr. Starr has committed an ignorant assault on one of the most distinctive and essential elements of American democracy.

He created this mess by following a bad example. Two weeks ago the White

House started its own denigatory search for leaks in an effort to divert attention from the question whether President Bill Clinton and his associates had committed perjury or suborned others to commit it. Mr. Starr may also be misled by reports that the White House has named its trademark tool of personal attack on its prosecutorial staff. But he does not need to follow that pernicious example. He is armed with something more honorable and powerful in the mandate of the attorney general and the majesty of the law.

But civic health demands that Mr. Starr get on with the investigation he is authorized to conduct and bring it to a speedy conclusion. The public interest does not lie in Mr. Blumenthal's phone records. It lies in getting, as promptly as possible, the testimony of Monica Lewinsky, Vernon Jordan, Bruce Lindsey, Bill Clinton and others whose testimony bears directly on the issue of false swearing.

In a tightly reasoned article in the National Journal, Stuart Taylor Jr. defended Mr. Starr's investigative procedures, including calling Ms. Lewinsky's mother before the grand jury, but called for him to resign in favor of someone with less political baggage. We are not at that point, because of the amount of time that would be lost. If at all possible, the nation needs to have this business driven to a conclusion without the delay that a switch in leadership would entail.

Every time Mr. Starr goes off on one of these tangents or misreads the law, he fritters away support from those who believe in the importance of this inquiry but bridle at his loco-weed judgments.

—THE NEW YORK TIMES.

## Choice for Puerto Rico

The U.S. Congress is getting serious about Puerto Rico's political future, for the first time since the United States picked up the island territory in an imperial war with Spain 100 years ago. By a carefully launched bill that may reach the floor early next month, the House of Representatives would set up a process to let Puerto Ricans choose their future status from among the current "commonwealth," statehood and independence options.

This would be no straw poll. The bill would define the details — financial, political, linguistic — of the statehood option favored in Puerto Rico. It would lock the United States into a 10-year transition to put statehood, or another choice, into effect.

The bill, sponsored by House Resources Chairman Don Young, Republican of Alaska, cleared his committee 44-10. He anticipates serious debate and substantial approval. It could be a great day for democracy.

But it also could be a difficult day. There is concern over the political lineup of the two senators and six congressmen who would go to a new state, and over which states would have to forfeit six seats in the House. There is argument over whether new tax revenues would, as sponsors claim, wash out new social program costs.

But the hot issue is language. There is support among Puerto Ricans to retain their Spanish-language heritage. Some in Congress, however, would make Puerto Rico the battleground for an attempt to legislate English as the official language of the United States. The Young bill undertakes to deal

with this question chiefly by providing for use of English in the courts and other official venues, while increasing and improving English-language training in the schools. This seems sensible. A strict official-English policy ignores that Washington never asked Puerto Rico to embrace English when it took over the island and when Puerto Rico sent its sons to fight in American wars. Such a policy also ignores the extent to which the United States by practice and culture is already a considerably bilingual nation. Alarms of creating an "American Quebec" are a spillover from the official-English debate.

Puerto Ricans always could get the language of their preference by independence, but that option has never risen above a few percentage points. This makes Congress's definition of statehood crucial. To put statehood on the three successive referendums the bill calls for but then to burden the option with a provocative English requirement is unfair. It thrusts upon the island's 3.8 million residents a choice between political empowerment and cultural identity. For decades, American political leaders have held out Puerto Rican statehood as an option. It would be a mockery to load it up with unneeded political accessories the first time it began to look real.

A commitment to common rights, responsibilities and ideals, not a dominant language, bonds Americans. A commitment to democracy should drive Americans to ensure Puerto Ricans full and equal rights as American citizens. It has been, after all, 100 years.

—THE WASHINGTON POST.

## Other Comment

## America on Its Own

Despite the Gulf War, [the United States] had in the Near East the benefit of immense prestige and capacity of action thanks to the peace process and the Oslo accords. But that capital has been squandered. The United States will not recover its prestige until such a time as it forces the hand of Benjamin Netanyahu. All the more so because the appearance on the scene of a moderate presidency in Iran diminishes, in the eyes of many Arab countries, justification for the heavy American presence in the region.

As for Europe, we should be aware that the strong tendency of Americans is to take ever increasing distance from it. In the long term, Europe will therefore have to give itself the means ... of its emancipation.

For the time being, it would be well to realize what is going on. By way of

direct management of NATO enlargement to Central Europe, Washington is seeking two privileged allies: Poland in the east, Britain in the west. Its goal is well known: the gradual undoing of assertive policies of the European Union, and rejection of a political Europe led by France and Germany, in favor of a NATO under U.S.-British control.

—Jean-Marie Colombani, publisher, commenting in *Le Monde* (Paris).

Why go to war? To show that America is determined to impose its own "world order" by force of arms? But it has no mandate from the world community to do any such thing, and will never get its blessing, whatever high-sounding democratic rhetoric is sounded to justify the use of force.

—Mikhail Gorbachev, in a column distributed by New York Times Special Features.

## Seven Challenges for a Brave President in Seoul

By Richard Halloran

HONOLULU — The new president of South Korea confronts seven challenges that comprise the most formidable trial for his nation since its liberation from Japan in 1945.

This is no ordinary change of government. Kim Dae Jung's success or failure will determine not only the immediate future of Korea but also the security posture of the United States in Northeast Asia, where 80,000 American troops are stationed in South Korea and Japan in a single area of military operations.

In addition, the fate of the new government will affect other Asian nations struggling to right their capsize economies, to sort out issues of governance, and to find safety in a volatile region.

Mr. Kim is given an even chance for success by many Koreans, even those who did not vote for him, and by some foreign observers, including this writer, who has known him for more than a quarter-century.

His challenges will include:

- Leading South Korea out of a valley of tears into which, like several other Asian nations, it has plunged with a falling stock market, declining value of currency and a stringent recovery regimen imposed by the IMF.
- Coping with a hostile North Korea

whose belligerent negotiating style holds little promise of progress in four-party talks scheduled to resume in Geneva next month. The United States, China and the two Koreas are supposedly seeking ways to reduce tension on the Korean Peninsula.

• Consolidating his political position after getting only 40 percent of the Dec. 18 vote in a three-way race. He has a minority in the National Assembly, and has promised a parliamentary system in which he would become a largely figurehead president in two years.

• Reducing the corruption that permeates not only the political and business worlds but also many aspects of daily life. Koreans say there has been less corruption in recent years, but acknowledge that it is still pervasive.

• Responding to rising anti-Americanism that has spread from left-wing students to middle-levels of politics, government bureaucracy and the armed forces. Many Koreans want American forces to leave South Korea even as they wish to retain the country's alliance with the United States.

• Purging residual anti-Japanese emotions that hinder Seoul's ability to

recover economically and to play a constructive role in Asia's international relations. South Korea's rulers have nurtured bitter feelings toward Japan ever since 40 years of harsh Japanese rule ended 53 years ago.

• Dissuading Koreans from blaming someone else for everything that goes wrong, and instead encouraging them to accept responsibility. The initial reaction to the current economic crisis, for instance, was to blame the United States, Japan and the IMF.

To meet these challenges, President Kim will bring undisputed courage, a thirst for information that is the source of political power, a shrewd analytical ability to set his own politics aside when calculating events, and a lifetime of ambition, having first sought the presidency in 1971.

On the other hand, he is 72 and has had health problems. His courage has been tested in two attempted assassinations, a court-imposed death penalty, and years of prison or house arrest.

In one instance, he was kidnapped from a hotel in Tokyo by South Korean government agents in August 1973 and taken out to sea, where his legs and arms were bound with chains and weights. He heard crewmen talking

about how to make sure his body disappeared beneath the waves.

Strong protests from the Japanese and American governments saved his life, and he was returned to Seoul. In a long interview the next night, he gave a detailed account of his ordeal in a calm, almost detached manner.

"They had done a beautiful job of kidnapping me and getting me out of Japan, but they made one miscalculation. They had not expected the Japanese to be in such an uproar over the infringement of their sovereignty."

After three months of diplomatic maneuvering, President Park Chung Hee sent Prime Minister Kim Jong Pil to Tokyo to apologize for the kidnapping. In a supreme irony, the two Kim's, who are not related, made an election campaign deal last year under which Kim Jong Pil would become prime minister under President Kim Dae Jung.

Kim Dae Jung has indicated that he is aware of most of the tasks before him. In particular, he has vowed that South Korea will tighten its economic belt. He may just pull it off.

The writer, a former correspondent in Asia for The New York Times, contributed this comment to the International Herald Tribune.

## The IMF Reforms Can Make South Korea More Democratic

By Kyung Won Kim

SEOUL — When the conditions proposed by the IMF for bailing out South Korea's debt-ridden economy became known in late November, the press and public alike reacted with shock, concern and nationalist indignation.

Newspapers began calling the proposed IMF regime an economic trusteeship that would override the country's economic sovereignty.

Reflecting this disapproval, Kim Dae Jung, then an opposition presidential candidate, said that if elected he would "renegotiate" the terms of the agreement with the Fund.

Ironically, it was Mr. Kim — sworn in as South Korea's new president on Wednesday — who eventually convinced the public that the nation's financial conditions were such that there was no alternative to the program already agreed upon between the government and the IMF.

Once elected in December, he moved quickly to reassure the U.S. government and the IMF of his resolve to apply the agreement.

As president-elect, without waiting for his inauguration, he showed considerable political skill by bringing together representatives of labor, business and government to produce an accord on sharing pain, including legalized layoffs that had been strongly resisted by trade unions.

Clearly, South Korea's acceptance of the economic reform conditions attached to the \$58 billion emergency loan package arranged by the IMF was made easier by the democratic process that allowed the conditions to be debated openly and fully. The peaceful transfer of power between political parties also aided the process.

As it turned out, Mr. Kim's

earlier coolness to the IMF program gave him greater credibility when he argued that South Korea had no alternative but to follow its strictures.

The new president and his government will have to deal with soaring unemployment, higher inflation, increasing corporate bankruptcies and many other problems. The social unrest and resistance to change by big business will present extremely difficult and complex challenges to the government.

Success is far from assured. If South Korea succeeds in carrying out the structural reform program agreed upon with the IMF, that will change the country in important and fundamental ways.

Real reform will produce sufficient transparency in the corporate and banking sectors to make the kind of large-scale financing of political parties by

family-run conglomerates impossible. The conglomerates will have to focus on reducing their dangerously high borrowings. They will not be able to finance projects unrelated to the main business of earning profits.

Without funds, it will be impossible to maintain and operate the old-style political machines that dominated South Korea's politics. Without such machines, power elites will find it difficult to sustain the unity and loyalty of their followers.

Power will have to be more broadly shared. The bureaucracy will be freed from the pressures that used to come from politicians to channel resources, including bank loans, to the conglomerates. The rationale for state capitalism and excessive government intervention in the economy will be lost.

The benefits of structural reform are clear. It will modernize and strengthen the fi-

nanial sector and make major companies increasingly competitive. It will also lead to significant alliances between South Korean and foreign, mainly American, corporations. Merging U.S. capital and technology with Korean manufacturing strength will have a major impact on the global corporate chessboard.

More open politics and a free market will strengthen democracy and freedom in South Korea. This is something that members of the U.S. Congress who oppose funding the IMF should remember. Refusal to support the work of the IMF could weaken moves by a key ally in Asia to transform itself into a truly democratic society.

The writer, a former South Korean ambassador in Washington, is president of the Institute of Social Sciences in Seoul. He contributed this comment to the Herald Tribune.

## Do Business With Saddam? It Helps to Preserve Him

By David A. Kay

McLEAN, Virginia — Kofi Annan was far too optimistic on Tuesday when he said "I think I can do business" with Saddam Hussein.

He has avoided an immediate crisis with Iraq, and President Bill Clinton has given guarded approval to the agreement he brokered in Baghdad. But there are reasons to believe that the agreement won't work.

Not only because Saddam has a history of ignoring such pacts, but also because the agreement is itself fundamentally flawed.

The inspections of the eight presidential palaces are to be conducted by a new group, the sixth subcommittee of the UN Special Commission (Unscm).

It is not clear yet what the exact line of authority will be.

According to the pact, members of the group will be appointed in consultation with Richard Butler, the head of Unscm, and the director-general of the International Atomic Energy Agency. Although the head of the team would report to Mr. Butler, he would be appointed by the UN secretary-general, according to news reports.

In any case, Mr. Annan clearly assumes the ultimate responsibility for this special inspection team. In doing so, he takes on incompatible roles: bail bondsman for Saddam, vouching for his adherence to

the inspection agreement, and leader of the international coalition to make Saddam abide by the inspection agreement.

This arrangement could allow Iraq to play the inspection teams against one another. The "good" team, led by the Annan appointee, could well find nothing wrong, because after a freeze of more than four months on inspections Saddam's government will have been able to move any evidence from the presidential palaces.

Mr. Butler's teams, on the other hand, may still demand access to more than 50 other sensitive sites. Iraq could try to frustrate these efforts by painting

the teams as troublemakers and demanding that they operate under the same rules as Mr. Annan's team.

This kind of thing has happened before. For the past six years, Iraq has challenged Unscm to behave more like the International Atomic Energy Agency teams that did not find the Iraqi nuclear program in the 1980s.

It could well be that no inspection system has much chance of working.

Iraq has gone all-out to acquire weapons of mass destruction and to defeat international attempts to unmask and block those efforts. Even after seven years of the most intrusive arms inspections ever to be imposed

on a country, Unscm is still unsure of the extent of the Iraqi weapons program.

To date, Iraq has filed more than a dozen supposedly complete disclosures of its prohibited weapons, and each one has been shown to be false.

The monitoring system did not detect the Iraqi government's efforts after the Gulf War to develop new missiles, nor did it unearth the previously unknown biological weapons program. Both of these came to light only as a result of the defection of two of Saddam's sons-in-law, who were later lured back to Baghdad and killed. Given their fates, it would be unwise to count on future relatives, equally knowledgeable but naive, to come forward with new information.

Mr. Annan's latest proposal could set back even the modest inspection progress that Unscm has made.

Buying time, before turning to military action is worthwhile only if that time is invested in trying to change Iraq's political situation. By signaling that one can do business with Saddam, Mr. Annan has blocked any opportunity for political change.

The writer, former chief nuclear weapons inspector in Iraq for the International Atomic Energy Agency, is vice president of Science Applications International, a research and engineering company. He contributed this comment to The New York Times.

## Much Noisy Fuss, and No Solution in View

By William Pfaff

PARIS — It is a useful coincidence that while Kofi Annan was negotiating the agreement ending, or suspending, the Iraq crisis, the CIA's internal inquiry on the Bay of Pigs fiasco appeared in the press.

Overturning a government is not as simple as many in Washington thought in 1961, and now thought again during the weeks that led up to the United Nations secretary-general's trip to Baghdad.

A Wall Street Journal editorial on the agreement negotiated by Mr. Annan, representative of much Washington opinion, deplores that the secretary-general has provided a new obstacle to the United States taking "decisive action against Iraq."

What would that decisive action be? There's the question. Legality aside, if decisive action were so simple, George Bush and even Bill Clinton would have taken it long ago.

Solutions of the decaying kind thrive in the minds of editorial writers. Sunday morning television talk show guests, and complacent politicians, but are less easily available in the actual relations of nations.

The competence of the United States' clandestine and military services usually falters at producing the decisive solution.

Possibly a bombing campaign, as planned and now suspended, might have killed the Iraqi president in a case of that "collateral damage" military men talk about. European military sources say that during the Gulf War, 80 separate sorties were mounted with the specific objective of killing Iraq's president, all of which failed.

The Reagan administration

intended to kill Moammar Gadhafi, another Arab enemy of Washington, when it bombed Libya in 1986 in retaliation for a Libyan-inspired terrorist attack on American soldiers in Berlin. The raid failed to kill him, but killed his daughter.

Two years later, in 1988, Libyan agents blew up a Pan American flight over Scotland, killing 270 people, most of them Americans. Colonel Gadhafi got his revenge, and is still alive and well.

Other critics of Mr. Annan's agreement with Saddam Hussein recommend arming and financing Iraqi opposition groups, interdicting Iraqi military movements in the far north and south of the country to allow these opposition forces to operate, giving them diplomatic recognition as a provisional government, getting the present government ejected from the United Nations, and so forth.

All that is practical, and not been tried and has failed. Saddam Hussein invaded the U.S.-protected zone in northern Iraq two years ago to crush forces supported by the CIA, routing them in the worst CIA fiasco since the Bay of Pigs. Survivors were evacuated to Guam, to keep them quiet during the 1996 election campaign.

Efforts to organize military coups in Iraq have repeatedly failed, including one in 1996 in which British intelligence was active. The Iraqi president's security services are simply very good, as they ought to be, since his survival is their raison d'être and they have claim on whatever resources they need.

The fact that the United States is in economic and military terms the most powerful country on earth encourages an expectation of omnipotence — as well as an assumption of omniscience, as when Madeleine Albright said last Sunday that "we stand tall and therefore we can see farther."

The public not unreasonably thinks that if America has greater military power than the rest of the world combined, it ought to be able to put away a sordid despot like Saddam Hussein, and do what it wants with Iraq.

This was just the assumption behind the Bay of Pigs failure. It produced the self-deception within the CIA which, in his now released report, the agency's inspector-general, Lyman Kirkpatrick, describes as "unmitigated and almost willful ... ludicrous and tragic or both."

This arrogance was no different from that with which the United States, not long after, went into Vietnam to settle with those raggedy little men in black pyjamas.

The lesson that America's power is limited is hard for Washington to accept. Its consequent frustration, combined with its illusions, repeatedly has prompted it to build these confrontations up into huge affairs of national prestige.

Saddam Hussein, even with whatever survives of his chemical weapons, nuclear and missile programs and biological warfare experiments, remains a very small problem on the scale of the world's problems.

He is, moreover, a problem primarily for the countries on his borders, with whom Iraq

historically has quarrels of national interest — Iran and Kuwait, plus Saudi Arabia, a rival oil producer and, like Iran, a fundamentalist Islamic state, whereas Iraq is secular.

To treat Saddam Hussein as a serious threat to the United States, or even to Israel (which is quite capable of looking after its interests), reflects a kind of hysteria.

The world's only superpower needs steeled nerves. It certainly owes a debt today to the calm and sensible Kofi Annan.

International Herald Tribune, Los Angeles Times Syndicate.

## IN OUR PAGES: 100, 75 AND 50 YEARS AGO

## 1898: Maine Mined?

NEW YORK — The news from Washington to-day [Feb. 25] is graver than at any time since the Maine disaster occurred, and high officials of the Administration no longer conceal the fact that they regard the situation as extremely critical. Although the board of inquiry is still conducting its investigation secretly, all reports from Havana assert that the Maine was destroyed by an outside explosion, most probably by a submarine mine.

## 1923: Paintings Found

ROME — During the war, Contessa Tacco, of Gorizia, sought refuge in Italy, abandoning her palace in which there was a fine collection of old paintings, notably three canvases by Raphael. On returning to the palace after the war, the countess found that the three paintings were missing. They have just been discovered,

after a long search, in the shop of a rag dealer in Genoa, who declared that he had bought them from some soldiers.

## 1948: Communists In

PRAGUE — Czechoslovakia came under Communist rule today [Feb. 25]. With all vital communications, government ministries, police and industrial areas in the hands of the Communist party, President Edvard Benes accepted the new cabinet demanded by Communist Prime Minister Klement Gottwald, his triumphant mood. Gottwald went before 50,000 of his followers in Prague's historic Wenceslas Square, where he had massed them, with a threat of the nation's first general strike unless his terms were approved. President Benes, Gottwald told his cheering listeners, "did not arrive at his decision easily." But Mr. Benes, he said, "had to accept the will of the people."

## Herald Tribune

ESTABLISHED 1887

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S.A.S. au capital de 1,200,000 F. RCS Nanterre B 73201126. Commission Paritaire No. 61337.  
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## TribTech

Disk-Drive Madness:  
How Far Can It Go?

Move Over, Chipmakers, It's a Capacity Game

By John Markoff  
New York Times Service

SAN JOSE, California — An IBM laboratory has developed a disk drive the size of a poker chip that can hold the equivalent of more than 500 large novels, offering striking evidence that one of the computer industry's oldest technologies is in the midst of a remarkable renaissance.

While Silicon Valley has for decades been mesmerized by the blinding pace of the semiconductor industry, in the past seven years the disk storage industry has been moving forward at an even more mind-boggling clip.

In December, scientists at International Business Machines Corp.'s Almaden Research Laboratory, tucked in the hills above Silicon Valley, announced that they had succeeded in storing more than 11.6 billion bits of data in one square inch (about 6.5 square centimeters) on the surface of a rotating magnetic disk.

Last week, researchers at Quinto, a division of Seagate Technology Inc., the world's largest independent disk-drive maker, announced a daring storage approach that would blend microscopic optical lasers with traditional magnetic recording technology, pushing the storage capacity of the disk drive well beyond what has long been believed to be the physical limit of magnetic media.

So impressive are the storage gains that disk-drive engineers are now suggesting the previously unthinkable: replacing computer memory chips with tiny disk drives for devices such as digital cameras and handheld computers.

That would be sweet revenge for the relatively insular community of disk-drive makers. It has long found itself taking a back seat to the more glamorous semiconductor industry.

That is changing as the disk-drive industry mounts a sustained price-performance curve even steeper than that described by Moore's Law, which holds that the processing power of the integrated circuits etched into silicon chips will double every 18 months.

IBM's DATA show that storage density has grown 60 percent annually since 1991, while semiconductor density has grown a maximum of 50 percent each year. It was 1991 when IBM introduced a technology for reading digital information known as the MR (for magnetoresistive) head. The head is the part of a drive that moves back and forth over the spinning magnetic disk, writing data to it or reading from it.

"If we simply look at real density, the data suggest that magnetic is moving faster than silicon," said A. Currie Muncie Jr., director of storage systems at Almaden.

For consumers, this increase in capacity has meant falling costs for computer data storage, producing the kinds of

inexpensive, high-capacity drives that made possible the first real multimedia computing. A survey by Disk/Trend Inc., a consulting firm in Mountain View, California, of the average cost of hard-drive storage shows that the average cost of a megabyte of storage plummeted to 10 cents as 1997 ended from \$11.52 in 1988. It predicts the cost will fall to 2 cents in two years.

James Porter, president of Disk/Trend, said, "That means that the parts count for each disk drive has fallen dramatically, while the value delivered to the consumer is significantly greater."

There are many technological advances in today's disks, but IBM's MR head was probably the biggest step forward. Today, IBM's densest magnetic-technology products — 2.5-inch disks designed for the portable computer market — store 3.1 billion bits of information per inch. IBM researchers at Almaden now say they expect further advances for five or more years, until they encounter a physical limit known as the superparamagnetic effect. The term refers to a point at which discrete magnetic areas on a disk's surface will be so tiny that their magnetic orientation will be unstable at room temperature.

THE IBM scientists predict they will reach that limit by using a more sensitive version of MR technology called the giant magnetoresistive, or GMR, head. GMR, the basis of the experimental 11.6 gigabits-per-square-inch storage record reached last year, is based on an unusual physical phenomenon.

In 1988, French scientists discovered that certain magnetic materials displayed an unusually large increase in electrical resistance when they were exposed to a magnetic field. IBM researchers soon determined that by layering exotic materials they could fabricate a generation of ultrareceptive sensors that allowed data to be packed more densely.

But while IBM was the first to introduce and market the new GMR heads, today it is in a hot race to commercialize the new technology. In Japan, both Yamaha Corp. and TDK Corp. are in the early stages of producing GMR heads, and several U.S. companies are developing them.

The market for fixed disk drives grew to \$34 billion in 1997, with the industry shipping more than 126 million units, according to Disk/Trend.

The industry is still dominated by U.S. companies, including IBM, Seagate, Quantum Corp. and Western Digital Corp. But the pace of technological change, coupled with renewed competition from Japan and from start-up companies in South Korea, has put pressure on some independent American disk makers. Seagate in particular has struggled. In the six months ended Jan. 2, its sales fell 20 percent, to \$3.57 billion.

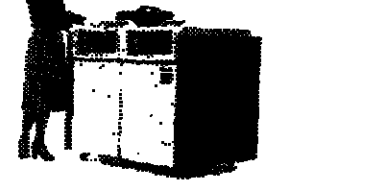
IBM's strategy has been to protect itself from the most brutally competitive parts of the market by using its technological advantage to focus on segments with significantly higher margins: portable disk drives and top-of-the-line workstations and network servers.

Now IBM is exploring the market for tiny disks designed to plug into the same receptacles as the flash memory chips widely used in digital cameras. The cameras are creating a need for high-capacity storage space, or "digital film." The plan is to mass-produce wafer-sized disks that will store more than 500 megabytes of data.

## Less Space, More Data

Model 3340 hard disk 1973

Capacity of unit shown (megabytes) 140



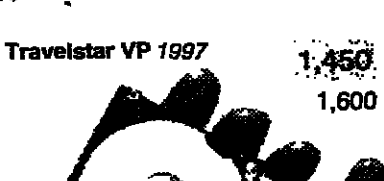
Model 3370 1979



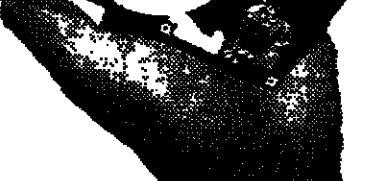
Model 3390 1989



Travelstar VP 1997



Travelstar SGS 1997



Source: IBM Almaden Research Center.

The New York Times

The concept may never take off, however, Mr. Porter said, noting that IBM will face stiff competition from Omega Corp.'s new Clik drive, which is designed to be built into small digital devices such as cameras. Scheduled to be shipped to manufacturers in the second half of this year, the drive will use a 3.3-by-2.1-inch removable disk that will store 40 megabytes of data and is expected to sell for \$10.

Also on the horizon are two Silicon Valley startups — Seagate's Quinto and Terastor Corp. Both are planning to demonstrate prototypes of a class of disk this year combining lasers, magnetic sensors and microelectromechanical systems, or tiny mechanical systems made using techniques of semiconductor manufacturing.

## ALT / Commentary

## A Nostalgia for the Days of Keypunch

Binary Codes From Yesteryear Inspire Technological Flights of Fancy

By Edward Rothstein  
New York Times Service

THE dark marks on the linoleum are the remnants of where, some 30 years ago, a noisy keypunch stood. I once spent hours thumping at its keyboard, punching out lines of Fortran computer programs onto cards that once warned users not to "fold, spindle, or mutilate." Each card coded a single line of the program.

But more often than not, there were errors somewhere. Printouts had to be pored over, control panel lights examined. Sometimes, individual "addresses" in the computer's memory had to be checked to find out where things were going wrong. The sole purpose was to get an individual pixel on a black and white video screen to respond to the movement of a light pen — a precursor of the mouse.

It was easy to miss the forest for the trees. Or rather, for a leaf. Or for a single vein. For the real purpose of that pixel, of the hundreds of lines of code, of those massive, refrigerator-sized tape drives whirling back and forth, was found in the next room of the cement-walled A.W. Wright Nuclear Structure Laboratory at Yale University.

There, a massive nuclear accelerator was projecting beams of particles onto a square-centimeter film of tin or tungsten or some more exotic isotope. The most advanced computer technology was used to help examine the gamma-ray pulses that emerged. The data needed to be seen more quickly and "massaged" with greater flexibility.

For an undergraduate with a passion for abstract mathematics and an interest in physics, there was great appeal in coming into this brightly lit lab late at night to work on such arcane matters. But there was also exasperation in struggling to make hundreds of lines of instructions execute simple commands: Display a graph of all the pulses of energy that emerge from that bombarded film; then let the light pen amplify some pulses for closer inspection.

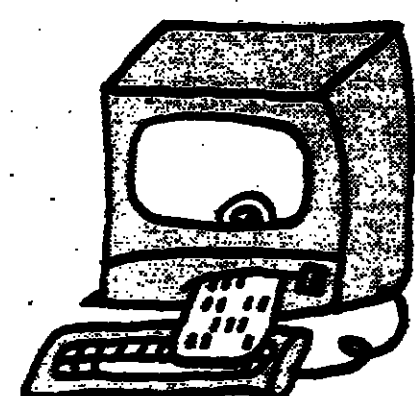
Despite the appealing challenges of dissecting these apparently simple requests for information into their primitive, machine-ready atoms, exasperation won out. After a few years, I retreated to mathematical abstraction and to the more profoundly moving demands of the piano keyboard.

Returning to the lab last week for a visit raised second thoughts. The experiments being done were similar (though the 1960s vintage accelerator was replaced with a 20 million volt "tandem Van de Graaff" model in 1987). A postdoctoral fellow in nuclear astrophysics, Ken Swartz, was sitting in the same old computer room, its floor scarred with the marks of long-discarded hardware.

Mr. Swartz was working on a program in a recently devised language,

Java, taking for granted what was hardly imaginable when I wrestled with pixel plotting. In a window of his Sun workstation sat the long-sought graph of experimental results. In four lines of Java code, more was accomplished than in hundreds of lines of Fortran.

At the same time, the tools themselves are unrecognizable. The room-filling IBM 360/44 I worked on with all its clunky mechanical apparatus had been replaced by an IBM 4341, which gave way to a Concurrent 3280, a system that John Baris, the director of computer systems, pointed out to a visitor as "that pile of junk you see out in the corridor." Now data collection is



handled by a book-sized circuit board.

Technological advances can inspire nostalgia for machinery or crafts being displaced. I felt one of that. The earlier tools were inadequate to their tasks; we had been pushing their limits. It was like asking a stenographer to catch every word of a taped speech while also counting those words and alphabetizing them.

Now tasks are easily accomplished, so new questions can be asked: What words are being used from earlier speeches? Do the pauses between words have meaning? What language is being used?

That shift in perspective and possibility seemed almost palpable when one of the lab's leading physicists, Con Beaussant, led me to a workstation located on the spot where the keypunch

once sat. A graph of gamma-ray emissions was on the display.

"Thirty years ago," Mr. Beaussant said, "that would have taken maybe a week." Of course, we know computers keep getting faster — but we tend to think of these increases as merely quantitative, allowing graphics to be displayed more easily, or permitting more elaborate simulations. But something more profound has changed. The nature of detail is different, and so are the premises. More is taken for granted, so more can be imagined.

The director of the Yale laboratory, Richard Casten, said: "The work is not just quantitatively different, but qualitatively different. We can answer questions we really gave up on years ago." Structural information is discerned just as before, from the raw numbers corresponding to the pulses of gamma-ray radiation. But now, 30 detectors are arranged in a sphere around the point of impact in a room known as the "Gamma Cave." The "events" are pinpointed in nanoseconds. Each experiment produces between 50 and 100 gigabytes of data.

Mr. Beaussant said that 30 years ago this mass of data would have been beyond the powers of any computer to process. There was too little power to consider the kinds of questions now being asked.

This was at once humbling, exhilarating and exasperating. We think of technology as evolutionary, each new step building on a step taken before. Perhaps that display of experimental data on the screen was made possible in some small degree by the old tedious work at the keypunch. But in that once-familiar lab, the current technology had turned old work into trivia.

That is partly illusion; computers still work with 1's and 0's, the trials of the past inform the present. But the past's disposability is also why technology inspires flights of fantasy — for a fleeting moment, I wondered what it would be like to write code again.

Edward Rothstein writes the biweekly Connections column for the New York Times.

## TECHNOLOGY INDEX

A glance at technology stock indexes around the world

North America	Tuesday close	% change previous week	% change year to date
Pacific Stock Exchange Technology	329.86	+1.2%	+13.53
Standard & Poor's Technology Composite	811.73	+3.2%	+15.97
Europe			
Morgan Stanley Eurotec	476.40	+3.0%	+23.67
Asia			
Topix Electric	1699.41	+1.0%	+3.36

Source: Morgan Stanley, Bloomberg News

For technology articles from the past week, see the Technology Index on the IHT's World Wide Web site at <http://www.ihl.com>. Articles include:

- WorldCom Poets Profit, Feb. 20
- Delta's Results Lift Stock, Feb. 20
- Samsung Seeks Link With Intel, Feb. 20
- Phone Giants Cross Wires in Mexico, Feb. 21-22
- Antitrust Officials Widen Microsoft Inquiry, Feb. 21-22
- Silicon Valley Wants Immigrants, Feb. 24
- Careful, Call-Phone Firms Can Tell Where You've Been, Feb. 24
- Mitsubishi Electric Considers Quitting Home PC Business, Feb. 24
- Intel Takes Aim at Networking Market, Feb. 25
- U.K. Software Firms Post Bumper Earnings, Feb. 25

To reach TribTech editors or to comment on IHT technology coverage, send e-mail to [tribtech@ihl.com](mailto:tribtech@ihl.com).

International Herald Tribune

## BRIEFLY

★ **STAR TURN FOR A MEGATELESCOPE:** For the past decade, a consortium of European nations has been building what will be by far the world's largest optical telescope. Three months from now, the first of the Very Large Telescope's four glass eyes will open on the universe, and a new era in astronomy will begin.

When finished in 2002, the instrument is expected to surpass in performance any optical telescope ever built, and it is likely to remain the world's observing champion through much of the 21st century. The telescope will hunt through the Southern Hemisphere sky for the planets of other star systems, for galaxies as they looked just after the birth of the universe and for other objects inaccessible to existing telescopes.

Each of the four light-gathering mirrors at the heart of the instrument, nearing completion on top of Paranal Mountain in the Atacama Desert in Chile is 27 feet (8.3 meters) in diameter, and the light from all four will be combined to yield images equivalent to those produced by a mirror 53 feet in diameter.

Since 1987, when the European Southern Observatory consortium representing eight European nations decided to build the Very Large Telescope, the organization's scientists have confronted staggering problems: how to make enormous glass mirrors lighter, how to move them from France to the Chilean wilderness, how to reduce the twinkling caused by atmospheric turbulence and how to pay for the \$500 million instrument. (NIT)

★ **SALUTES ON SOFTWARE:** The Electronic Frontier Foundation has given Pioneer awards to Linus Torvalds, creator of the Linux operating system, and Richard Stallman, creator of the GNU development-software tools, the on-line news organization C-Net reported.

The GNU and Linux "free software" development model was the inspiration for Netscape Communications Corp.'s recent decision to release the source code of its Communicator suite, C-Net said. (IHT)

★ **AOL LOGS IN A MILLION:** America Online Inc., the world's biggest on-line service, said Wednesday its two-year-old European operation had gained its millionth customer, raising the stakes in Europe's rapidly growing on-line industry. Europe's current on-line leader, Germany's T-Online, owned by Deutsche Telekom AG, expects to pass the 2 million-user threshold within days, in time for Telekom to unveil the achievement at next month's CeBIT technology trade fair in Hannover, a Telekom spokesman said. Nearly all of T-Online's subscribers are in Germany.

AOL operates in Europe through a joint venture with Bertelsmann AG of Germany. AOL Bertelsmann Europa said it had doubled its membership in the past year. AOL, which has 11 million customers around the globe, this month completed the acquisition of CompuServe Inc., which has 850,000 users in Europe. (IHT)

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THURSDAY, FEBRUARY 26, 1998

PAGE 11

## New South Korea Chief Outlines Economy Plan

Kim Blames Predecessors for Nation's Straits

By Don Kirk  
International Herald Tribune

SEOUL — President Kim Dae Jung, speaking at his inauguration Wednesday, blamed the former presidents for the economic problems South Korea is now facing.

Kim said that the country's economic problems were the result of the "chaebol" system, in which large conglomerates have been able to dominate the economy. He said that the government must reform the system and promote a more competitive and open economy.

Kim said that the government must also promote a more balanced and sustainable economic growth. He said that the government must focus on improving the quality of life and the environment, and on promoting a more equitable distribution of income.

Kim said that the government must also promote a more active role for the private sector in the economy. He said that the government must create a more favorable business environment and promote a more efficient and effective regulatory system.

Kim said that the government must also promote a more active role for the public sector in the economy. He said that the government must create a more efficient and effective public sector and promote a more active role for the public in the economy.

Kim said that the government must also promote a more active role for the international community in the economy. He said that the government must create a more efficient and effective international community and promote a more active role for the international community in the economy.



ANGER IN HONG KONG — Investors who lost their savings in the collapse of the brokerage house C.A. Pacific Securities trying to break past a police cordon outside the stock exchange Wednesday. About 50 people were demanding that they be reimbursed for losses they suffered when the house folded in January.

## Gene Therapy: A New Business Map

By Lawrence M. Fisher  
New York Times Service

EVRY, France — Four years ago, Dr. Daniel Cohen dazzled the scientific world when his Paris lab reported the first comprehensive map of all human chromosomes. This year, he will complete a far more detailed map and attach it to a tantalizing business proposition: using the map to predict the responses of individual patients to new drugs.

The proposition comes with a new buzzword, pharmacogenomics, and the potential to save pharmaceutical companies hundreds of millions of dollars at a clip. That is the amount they can spend developing a potential new drug, only to see it fail because of unexpected side effects or a poor response rate among patients.

Dr. Cohen's company, Genset SA, believes his proposition can improve the odds of success, and reap tens of millions of dollars in fees for the service.

"It is very important to know what causes the side effects, or why 20 percent of patients do not respond to a drug," he said. "If we can predict that, we can predict what consequences that will have on the drug's market."

The process could also save mountains of money for health maintenance organizations, which could use it to identify who might, and might not, benefit from a prescription.

And because the ramifications of pharmacogenomics for patient care are so broad, Genset and the others are also facing considerable controversy on a number of fronts, ranging from the possible danger their techniques pose to ticklish issues of privacy to the potential for discrimination against people who are identified as genetically deficient.

Pharmacogenomics is both an extension of and a departure from "genomics," the premise behind the companies that have piggybacked on the Human Genome Project, the 15-year international effort to spell out each of the 3 billion letters in the human genetic code. The companies said they would find "disease genes," which would provide ideal targets for drug development.

See GENSET, Page 15

## Insurers Set To Create U.K. Giant

Compiled by the Staff from Reuters

LONDON — Commercial Union PLC said Wednesday it would buy General Accident PLC for £6.6 billion (\$10.8 billion), creating the second-biggest insurer in Britain.

The new company would be called CGU and would have a combined stock valuation of about £14.6 billion.

Deregulation in the life-insurance market, the restructuring of global welfare laws and the need to offset difficult conditions in the nonlife insurance business, where rates have been falling fast, all played a part in the planned deal, the companies said.

Commercial Union shareholders would hold 53.6 percent of the new company, with General Accident shareholders controlling the rest.

The deal comes amid rapid consolidation among insurers as they struggle for market share. Allianz AG of Germany is taking over Assurances Generales de France SA for \$10 billion to become the largest insurer in Europe.

"This should bring them into the top five in Europe," said Eamon Flanagan, a Charterhouse Tilney Securities analyst. "The two companies are both good, but in terms of worldwide or even Europe, they were not big players."

Analysts said they believe the merged business would be in a stronger position to acquire large contracts. But shares in both companies slipped as the market digested the news, amid concerns that the deal may encounter regulatory hurdles and disappointment with the details of the deal after a strong recent rise in the shares.

The announcement came little more than 24 hours after SmithKline Beecham PLC and Glaxo Wellcome PLC, Britain's two largest drug companies, abandoned their plans for a merger.

Commercial Union closed 24 pence lower at £11.04, and General Accident fell 80 to £13.64.

With a market value of £14.8 billion, CGU would be Britain's second-largest insurer after Prudential Corp., which is valued at £17.33 billion.

(AP, Bloomberg, Reuters)

## MEDIA MARKETS

### Waterstone's Heads to EMI's Empire

Compiled by the Staff from Reuters

LONDON — EMI Group PLC wrapped up a long-awaited deal Wednesday to buy the Waterstone's book stores from W. H. Smith PLC for £300 million (\$494.2 million).

Smith will sell the unit to a joint venture formed by EMI and the investment company Advent International, which owns EMI's parent company HMV Media Group PLC. The venture will take over EMI's 271 HMV music stores and the 78-store Dillons book chain, combining them with 104 Waterstone's shops.

EMI said HMV Media could be sold or floated on the stock market in the future, allowing EMI to leave retailing and focus on its core music business.

"This will allow EMI to divest itself of retail and focus on its core business of actually publishing and selling music," said Anthony de Larrinaga, an analyst at Pannone Gordon. "You don't need to have vertical integration to control the retail outlet, particularly now that there is considerable more competition in music retailing than there was in the past."

The sale, which will see HMV Media's new chairman, Tim Waterstone, retain control of the book chain he founded in 1981 and sold to Smith eight years later, is part of Smith's second reorganization in two years.

W.H. Smith, Britain's largest book retailer, faces stiff competition from supermarkets selling books and from rivals such as Books Etc., a unit of the U.S.-based chain Borders Inc. Last year, W. H. Smith took reorganization charges that gave it its first loss in 204 years of business.

Shares in EMI and W. H. Smith rose on news of the deal. EMI closed up 12 at 510 pence, while W. H. Smith gained 5 to 473.5.

"Smith got a very good price," said William Cullum, analyst at Paribas Capital Markets. "While selling Waterstone's doesn't resolve difficulties

Southgate would stay on as executive chairman after changing his mind about moving to a nonexecutive role. EMI declined to comment, having confirmed Friday that Sir Colin would remain as executive chairman and Mr. Fiffeld would continue as head of EMI Music.

The management problems are partly rooted in the aftermath of EMI's 1996 split from Thorn PLC, a consumer electronics rental business.

Mr. Fiffeld, who had been at EMI Music since 1988, seemed to drop out of day-to-day management, clearing the way for the ascendancy of Ken Berry, who is now president of EMI Recorded Music.

In a succession plan announced in May, Mr. Fiffeld, whose contract is up in mid-1999, was removed from the succession line, and Mr. Berry was to replace him. In November, the management strategy shifted. Sir Colin decided effectively to take early retirement, re-instating Mr. Fiffeld as his heir.

It was unclear what prompted the change. Last week, there was yet another turnaround. EMI's board apparently decided that it was uncomfortable giving so much power to Mr. Fiffeld, who would have the publishing and music arms of EMI reporting directly to him.

Neither Sir Colin nor Mr. Fiffeld was available for comment. (Reuters, Bloomberg, NYT)

### Selling Waterstone's gives W.H. Smith needed cash — and choices, analysts say.

at the core chain, it gives Smith cash, and cash gives them choices."

W. H. Smith said it had opted to accept EMI's firm offer rather than let market conditions dictate the price of a flotation that it had originally planned.

"We can now concentrate on developing W. H. Smith as a midmarket specialist retailer with core strengths in books, newspapers, magazines and stationery," its chief executive, Richard Handover, said.

The deal comes as EMI scrambles to find a chief executive after its board unexpectedly blocked the promotion of EMI Music head Sir Colin Fiffeld.

## CURRENCY & INTEREST RATES

Cross Rates									
	\$	£	DM	FF	Yen	Sc	Sw	DK	Nor
American	1.00	0.69	1.93	6.55	107.06	136.79	166.08	6.56	13.76
British	1.46	1.00	2.93	9.36	156.48	193.64	233.76	9.37	20.48
French	6.55	2.93	1.00	1.66	166.08	203.71	243.83	1.67	3.63
German	0.15	0.34	0.60	1.00	124.56	153.01	183.57	0.61	1.36
Italian	1.93	8.36	3.36	1.93	1.00	1.24	1.53	1.94	4.36
Japanese	0.009	0.007	0.007	0.008	1.00	0.80	0.98	0.008	0.009
Norwegian	0.07	0.03	0.03	0.03	0.008	1.00	1.24	0.008	0.009
Spanish	166.08	72.63	28.36	166.08	1.66	1.93	1.00	166.08	3.63
Swedish	0.006	0.003	0.003	0.003	0.008	1.00	1.24	0.008	0.009
Swiss	0.70	0.50	1.25	4.00	63.06	77.36	93.36	0.71	1.56
U.S. dollar	1.00	0.69	1.93	6.55	107.06	136.79	166.08	6.56	13.76
Yen	0.009	0.007	0.007	0.008	1.00	0.80	0.98	0.008	0.009
Other Dollar Values									
Australian	0.69	0.49	1.25	4.00	63.06	77.36	93.36	0.71	1.56
Canadian	0.70	0.50	1.25	4.00	63.06	77.36	93.36	0.71	1.56
Chinese	8.27	5.94	15.06	48.16	773.23	953.48	1145.36	8.28	18.48
Hong Kong	7.76	5.46	14.06	43.76	713.23	883.48	1075.36	7.77	17.48
Indian	46.48	32.98	84.36	259.36	4193.23	5116.48	6139.36	46.49	104.48
Japanese	107.06	74.63	193.64	593.36	9336.79	11453.48	13765.36	107.07	240.48
South African	13.76	9.63	24.36	75.36	1193.23	1466.48	1757.36	13.77	30.48
U.S. dollar	1.00	0.69	1.93	6.55	107.06	136.79	166.08	6.56	13.76
Yen	0.009	0.007	0.007	0.008	1.00	0.80	0.98	0.008	0.009
Forward Rates									
30-day	1.00	0.69	1.93	6.55	107.06	136.79	166.08	6.56	13.76
90-day	1.00	0.69	1.93	6.55	107.06	136.79	166.08	6.56	13.76
180-day	1.00	0.69	1.93	6.55	107.06	136.79	166.08	6.56	13.76
360-day	1.00	0.69	1.93	6.55	107.06	136.79	166.08	6.56	13.76
Libor-Libor Rates									
3-month	5.50	4.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
6-month	5.50	4.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
9-month	5.50	4.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
12-month	5.50	4.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
Key Money Rates									
U.S. dollar	1.00	0.69	1.93	6.55	107.06	136.79	166.08	6.56	13.76
Yen	0.009	0.007	0.007	0.008	1.00	0.80	0.98	0.008	0.009
Other Money Rates									
Australian	0.69	0.49	1.25	4.00	63.06	77.36	93.36	0.71	1.56
Canadian	0.70	0.50	1.25	4.00	63.06	77.36	93.36	0.71	1.56
Chinese	8.27	5.94	15.06	48.16	773.23	953.48	1145.36	8.28	18.48
Hong Kong	7.76	5.46	14.06	43.76	713.23	883.48	1075.36	7.77	17.48
Indian	46.48	32.98	84.36	259.36	4193.23	5116.48	6139.36	46.49	104.48
Japanese	107.06	74.63	193.64	593.36	9336.79	11453.48	13765.36	107.07	240.48
South African	13.76	9.63	24.36	75.36	1193.23	1466.48	1757.36	13.77	30.48
U.S. dollar	1.00	0.69	1.93	6.55	107.06	136.79	166.08	6.56	13.76
Yen	0.009	0.007	0.007	0.008	1.00	0.80	0.98	0.008	0.009

## Software Winner



Ron Dennis, Managing Director, McLaren International

McLaren is one of the winningest teams in Formula One history.

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"I have a favorite saying, that is, to come in second is to be the first of the losers," says Ron Dennis. "At McLaren we're interested only in winning and we associate ourselves only with winning companies. With Computer Associates and McLaren, we have two winning companies sharing a common goal and common partnership."

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## A Second Look at Asia Lifts Markets



**Bloomberg News**

**NEW YORK** — Philip Morris Cos. announced Wednesday that it planned to cut 1,900 jobs, or 11 percent of its U.S. tobacco unit's work force, through a voluntary early retirement offer as it moves to trim costs amid a decline in smoking in the United States.

It said the plan would result in pretax charges of about \$290 million in the first half and generate annual pretax savings of about \$160 million beginning next year.

Most of the job cuts will be at its plants in Richmond, Virginia, and Louisville, Kentucky, the company said. Philip Morris, which has about half of the U.S. cigarette market, is bracing for a further drop in demand.

U.S. cigarette sales, which have been falling about 1 percent to 2 percent annually, are expected to fall further if Congress approves a proposed \$368.5 billion industry settlement of health-related lawsuits.

Analysts say the accord is likely to result in higher cigarette prices and lower rates of teenage smoking.

"Philip Morris has taken a view that cigarette prices will rise — either modestly because of new taxes or aggressively because of a settlement," said Martin Feldman, an analyst with Salomon Smith Barney Inc.

"Either way, it will lead to lower U.S. unit sales."

Mr. Feldman has a "buy" rating on Philip Morris's stock. The shares of the New York-based company closed down 12.5 cents at \$41.0625.

Philip Morris, with \$72 billion in revenue last year, operates the well-known Kraft Foods Inc. and Miller Brewing Co. In addition to its Philip Morris tobacco operation.

Mr. Feldman said Philip Morris was seeking to protect the profit margin on its U.S. cigarette sales, which in 1997 stood at 44 percent.

About 100 of the job cuts are expected to come from the company's international and corporate units.

The company employs 16,200 workers in its U.S. tobacco unit, and 152,000 worldwide.

The cuts are not expected to affect the company's Kraft food or Miller beer operations.

**NEW YORK** — Technology and banking stocks led stocks to record levels Wednesday, helping the market recover from another short-lived flurry of profit-taking.

The Dow Jones industrial average closed \$7.68 points higher at a record 8,457.78, while the Standard & Poor's 500 index ended 12.34 points higher at 1,042.90, also a record.

Gaining issues outnumbered losing ones by a 2-to-1 ratio on the New York Stock Exchange.

The technology-heavy Nasdaq composite index closed 27.76 points higher at a record 1,766.47.

Technology and banking sectors, which were hard-hit in recent months

Semiconductor equipment shares rose after an analyst at Hambrecht & Quist said a long-term recovery in chip demand made it a good time to buy the stocks. Applied Materials rose 1 1/4 to 37%, Eric Systems rose 4 1/4 to 53%, and KLA-Tencor rose 3 1/4 to 45 1/8.

But Intuit fell 3 1/4 to 46 1/4 after Brian Alex. Brown downgraded the personal-finance software maker on concern its earnings in the coming half might be weak.

Circus Circus Enterprises rose 1 1/4 to 22 5/8 after the company canceled several investor meetings and renewing speculation the casino company might be acquired.

Yellow fell 5 1/4 to 20 1/4 after the

## U.S. STOCKS

amid the worst of the Asian economic turmoil, got a lift from comments from Alan Greenspan, the chairman of the Federal Reserve Board.

In the second day of his semi-annual congressional testimony, Mr. Greenspan told members of the

## Drugmaker's Warning On Profit Shortfall Sends Stock Skidding

**Bloomberg News**  
**SAN DIEGO** — The stock of Dura Pharmaceuticals Inc. tumbled Wednesday as the company warned that profit would be well short of expectations this year because sales of antibiotics had been lower than expected and costs had risen because of an increase in its sales staff.

Shares of the maker of respiratory drugs fell 38 percent, or \$14.3125, to close at \$23.8125 after heavy trading. Dura said earnings would be about 35 percent below forecasts because the company's top-selling product, the antibiotic Ceclor CD, would miss its performance target this year. Dura also plans to expand its sales force to 450 from 270 by the end of the year as it prepares to start sales of its Spiros inhaler.

Spiros, a system for delivering drugs in lungs, awaits approval by the Food and Drug Administration. Dura said it expected to report 1998 earnings of 85 to 90 cents a share, below the \$1.39 average estimate of analysts surveyed by IBES International Inc.

**NEW YORK** — The dollar rose against the yen Wednesday amid ongoing frustration with Japan's efforts at stimulating its weak economy, and it gained against European currencies on indications that German interest rates would not head higher.

"The dollar has a lot going for it right now," said John Hanly, manager of foreign exchange at Bank Austria in New York. "Interest-rate differentials favor it."

In Japan, a senior official of the governing Liberal Democratic Party said it was considering yet another economic stimulus package in the wake of strong requests made at a weekend meeting of finance officials of the Group of Seven industrialized nations. But traders expressed doubt that the talk would yield anything truly stimulative, such as new government spending or tax cuts.

"They'll be promising a lot between now and the end of the fiscal year" on March 31, said a chief

dealer at a New York City money center bank. "They want dollar-yen lower, the Nikkei higher, for revaluation purposes."

But, he added, "They're going to come up with nothing."

Remarks by U.S. Treasury Secretary Robert Rubin, who reiterated

## FOREIGN EXCHANGE

Washington's unhappiness with Tokyo's economic steps so far, also nudged the dollar higher.

On the trading, the dollar was at 128.625 yen, compared with 127.975 yen on Tuesday.

The dollar rose against the Deutsche mark, meanwhile, after a report showed Western Germany's inflation rate at a 10-year low, reinforcing expectations that the Bundesbank would not increase interest rates.

"For continental Europe, there's no way rates are going higher," said Karl Halligan of CIC Bank.

A Halligan bank council member,

Hans-Juergen Krupp, said the recent dollar-mark level had been "by and large satisfactory," adding that he saw no need to change German rates in the foreseeable future.

The dollar rose to 1.8172 DM from 1.7971 DM, to 1.4683 Swiss francs from 1.4507 francs and to 6.0940 French francs from 6.0240 francs. The pound fell to \$1.6427 from \$1.6507.

Expectations that U.S. interest rates could head higher before long resurfaced after the Federal Reserve Board chairman, Alan Greenspan, told a Senate panel that while prices remained tame, wage pressures could lead to inflation down the road.

Higher interest rates tend to benefit a currency by increasing the return in investments in that currency.

"I'm a dollar bull," said John Cougherty of MMS in London, who predicted a rate increase in May.

"We keep seeing more evidence that the fundamentals favor the dollar," (Market News, Bloomberg)

amid the worst of the Asian economic turmoil, got a lift from comments from Alan Greenspan, the chairman of the Federal Reserve Board.

In the second day of his semi-annual congressional testimony, Mr. Greenspan told members of the Senate that he was less worried now than six months ago about Japan's economic problems. The effect of Asia's crisis on the U.S. economy will be measurable but not overwhelming, he said.

On Tuesday, Mr. Greenspan said the outlook was uncertain, a comment that helped send stocks and bonds lower.

Microsoft led the tech stocks up, closing up 2 7/8 to 85. Citicorp led the bank issues, gaining 1 1/4 to close at 127 5/16.

In the Treasury bond market, the price of the benchmark 30-year issue rose 19/32 point to 102 28/32, taking the yield down to 5.92 percent from 5.96 percent Tuesday.

Mr. Greenspan signaled that the central bank would not soon cut interest rates, which normally weighs on bond prices. But with inflation running at its lowest rate in a decade, some investors said bond yields were attractive.

Yields near 6 percent present "a buying opportunity," said David Jallits, a bond manager at Strategic Fixed Income LP.

Drug stocks rebounded from losses Tuesday caused by the canceled merger of Glaxo Wellcome and SmithKline Beecham. Glaxo's American depositary receipts rose 1 1/16 to 53 3/16, and SmithKline's ADRs rose 3 3/4 to 63 3/4. Eli Lilly rose 1 1/16 to 65 1/2, and Pfizer rose 1/2 to 88 3/4.

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## Very briefly:

- **Boeing Co. plans to tie management pay more closely to its stock performance** to try to make top executives more accountable for the aerospace company's financial performance.
- **Amfibi-Consolidated Inc.**, the world's largest newsprint producer, made an unsolicited \$1.4 billion takeover bid for a rival, **Avenor Inc.**, which called it "grossly inadequate."
- **Eight New York Stock Exchange floor brokers**, the brokerage concern **Oakford Corp.** and two of its executives were charged with making more than \$11.1 million from illegal trading for their personal profit on the NYSE floor, the Securities and Exchange Commission said.
- **Computer Associates International Inc.** indicated to **Computer Sciences Corp.** shareholders that it may be willing to raise its takeover offer by \$6 a share, to \$114, if the company negotiates promptly.
- **Americans spent an average of \$22,400 on new vehicles last year**, a 3 percent increase from 1996, the National Automobile Dealers Association said.

## Dow Jones Markets Sale Discussed

**NEW YORK** — Dow Jones & Co. is negotiating to sell its financial-information service to a rival, Bridge Information Systems Inc., industry sources said Wednesday. A deal could be announced within a few weeks, the sources said.

The sale of Dow Jones Markets has been widely expected since the company scaled back a \$650 million plan to revamp the service, which has been unable to keep up with competitors. The struggles at the service have caused losses at Dow Jones and put top management under pressure.

A possible purchase price for Dow Jones Markets was not disclosed by people familiar with the talks, who spoke on condition of anonymity. Reports have put Bridge's offer at anywhere between \$300 million and \$550 million.

## U.S. High Court Backs Banks vs. Credit Unions

**WASHINGTON**—The U.S. Supreme Court gave banks a victory Wednesday by upholding a ruling limiting the expansion of credit unions beyond their traditional base. The court's 5-4 ruling stems from a challenge to a 1982 decision by the

National Credit Union Administration that allowed AT&T Family Federal Credit Union to bring in members from much smaller groups, such as small employers and clubs.

The American Bankers Association trade group and five North

**Carolina banks sued in 1990 to challenge the NCUA ruling that allowed credit unions to include members of more than one group as long as each group was distinct.**

**AMEX**

## U.S. STOCK MARKET DIARY

## INTERNATIONAL FUTURES

Wednesday's 4 P.M. Close						Open	Sales	High	Low	Latest	Change
The 300 most traded stocks of the day, up to the closing on Wall Street.											
The Associated Press.											
Stock	Sales	High	Low	Latest	Change						
100	100	100	100	100	0						
101	100	100	100	100	0						
102	100	100	100	100	0						
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200	100	100	100	100	0						

Indexes

Dow Jones

Indus	8497.2	8499.17	8389.60	449.78	+17.66
Transp	1007.4	1007.98	1002.33	55.65	+4.65
Comp	2261.2	2261.33	2217.49	433.84	+43.84
Std	2261.2	2261.33	2217.49	433.84	+43.84

Standard & Poors

High	Percent	Low	Time	Today
Industrials	1209.78	1198.24	1200.43	211.57
Transportation	449.78	449.78	449.78	112.23
Computers	231.21	229.76	230.23	232.34
Finance	126.64	126.64	126.64	126.64
SP 100	497.09	497.58	493.81	500.04

NYSE

High	Low	Last	Chg.	
Capitol	541.87	540.83	540.38	+5.56
Transp	541.87	540.83	540.38	+5.56
Comp	541.87	540.83	540.38	+5.56
Finance	541.87	540.83	540.38	+5.56

NASDAQ

High	Low	Last	Chg.	
Capitol	176.64	176.64	176.64	+1.54
Transp	176.64	176.64	176.64	+1.54
Comp	176.64	176.64	176.64	+1.54
Finance	176.64	176.64	176.64	+1.54
SP 100	119.43	119.43	119.43	+1.72

AMEX

High	Low	Last	Chg.	
Capitol	891.79	889.58	891.79	+4.59

Dow Jones Bond

High	Low	Last	Chg.	
20 Bonds	105.00	105.51		
10 Utilities	102.00	102.48		
10 Industrials	102.13	102.34		

Trading Activity

NYSE

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Optol	High/Low	Settle	Change	Open	Optol		
ATFBI	Mar 97	95.77	93.74	95.75	-0.02	153.49	
	Jun 98	95.45	93.42	95.43	-0.02	41.05	
115.827	Est. sales: 83,508	Prev. sales: 107,872					
15.149	Perm. open int.: 676,917	up 5.119					
<b>Industrials</b>							
97.221	COTTON 3 DMC7						
44.539	50,000 lbs., contn per lb.						
	Mar 98	64.50	62.70	64.00	-0.50	58	
	May 98	64.50	62.70	64.18	+0.48	36.92	
	Jul 98	67.40	67.05	67.21	+0.62	71.99	
	Oct 98	69.85	69.40	69.85	+0.50	3.76	
	Dec 98	N.A.	71.85	70.95	71.39	+0.44	23.04
14.895	Est. sales N.A. Tiers sales 17,702						
4.427	Turns open int. 17.45	up 0.24					
1.789							
<b>HEATING OIL (OIL)</b>							
	42,000 gal., contn per gal.						
	Mar 98	42.80	42.50	42.65	-0.38	19.57	
	Apr 98	44.20	43.80	44.00	-0.44	45.71	
	May 98	44.70	43.85	44.20	+0.39	19.83	
	Jun 98	45.20	44.20	44.50	+0.70	49.57	
	Jul 98	46.20	45.40	45.85	+0.79	19.78	
	Aug 98	47.25	46.30	46.25	+0.91	52.61	
	Sep 98	48.15	47.00	47.40	+1.44	6.99	
2.619	Est. sales N.A. Tiers sales 18,500						
1.771	Turns open int. 145.145	up 35.00					
406.107							
216							
339.922							
282.859	<b>LIGHT SEED CRUDE OIL</b>						
267.575	1,000 lbs., contn per lb.						
175.175	Mar 98	15.98	15.63	15.75	+0.17	51.82	
132.262	Jun 98	15.98	15.63	15.75	+0.17	49.54	
128.262	Jul 98	16.40	16.40	16.50	+0.10	20.50	
	Aug 98	16.58	16.27	16.40	+0.31	15.25	
	Sep 98	17.07	16.95	17.07	+0.12	19.98	
31.227	Est. sales N.A. Tiers sales 18,073						
1.729	Turns open int. 445.725	up 1.422					
548							
<b>NATURAL GAS (OIL)</b>							
	10,000 cu. ft., \$ per m. cu. ft.						
	Mar 98	2.265	2.207	2.245	+0.027	19.49	
	Apr 98	2.381	2.251	2.285	+0.034	15.49	
	May 98	2.248	2.229	2.226	+0.019	15.49	
	Jun 98	2.248	2.229	2.226	+0.019	15.49	
	Jul 98	2.250	2.210	2.220	+0.022	15.49	
	Aug 98	2.240	2.238	2.250	+0.022	15.49	
67.449	Est. sales N.A. Tiers sales 75,000						
2.230	Turns open int. 112	up 209.454					
<b>UNLEADED GASOLINE (OIL)</b>							
	42,000 gal., contn per gal.						
	Mar 98	47.58	47.58	47.58	0.00	14.72	
	Apr 98	51.70	50.55	51.25	+0.30	39.49	
	May 98	51.70	50.55	51.25	+0.30	39.49	
	Jun 98	52.00	51.20	52.10	+0.40	18.79	
	Jul 98	52.25	52.00	52.20	+0.43	18.79	
	Aug 98	52.50	52.70	52.80	+0.45	18.79	
	Sep 98	52.65	52.90	53.00	+0.45	18.79	
	Oct 98	52.80	53.00	53.10	+0.30	14.91	
67.449	Est. sales N.A. Tiers sales 37,721						
2.727	Turns open int. 104.648	up 3.317					
535							
<b>GASOL (OIL)</b>							
	U.S. dollars per metric ton - lots of 100 tons						
	Mar 98	132.00	131.25	131.25	-0.75	17.89	
	Apr 98	132.33	132.75	133.00	+0.67	17.89	
	May 98	132.08	132.08	132.08	0.00	17.89	
	Jun 98	142.75	139.20	142.75	+3.55	12.04	
	Jul 98	142.75	142.75	142.75	0.00	12.04	
	Aug 98	145.00	145.25	145.00	-0.25	5.88	
43.929	Est. sales: 14,000 - Prev. sales: 21,437						
1.191	Turns open int. 123,605	up 2,172					
<b>BRENT OIL (OIL)</b>							
	U.S. dollars per barrel - lots of 1,000 barrels						
	Mar 98	14.15	13.78	13.91	+0.08	92.84	
	Apr 98	14.15	14.52	14.52	+0.37	92.84	
	Jun 98	14.75	14.62	14.75	+0.13	23.92	
	Jul 98	15.20	15.20	15.20	0.00	23.92	
	Aug 98	15.38	15.40	15.38	-0.02	8.91	
19.110	Est. sales: 47,287 - Prev. sales: 55,601						
4.357	Turns open int. 123,605	up 2,172					
4.357							
<b>Stock Indexes</b>							
<b>SP COMP INDEX (CME)</b>							
	100 Index						
	Mar 98	1,049.47	1,022.90	1,044.48	+16.70	57.65	
	Jun 98	1,050.00	1,042.50	1,052.50	+10.00	39.51	
	Sep 98	1,042.50	1,042.50	1,042.50	0.00	39.51	
67.449	Est. sales N.A. Tiers sales 115,336						
2.727	Turns open int. 444,335	up 7.73					
<b>FTSE 100 (LIFPE)</b>							
	125 Index						
	Mar 98	5,757.00	5,750.00	5,750.00	-0.00	59.98	
1.447	Est. sales: 4,342 - Prev. sales: 9,346						
1.447	Turns open int. 5,750.00	up 0.00					
<b>CAC 40 (MANTF)</b>							
	FT200 per index point						
	Mar 98	3,350.00	3,274.00	3,348.00	Unch.	36.21	
	Apr 98	3,350.00	3,274.00	3,354.00	Unch.	31.64	
	May 98	3,350.00	3,274.00	3,354.00	Unch.	31.64	
	Jun 98	3,349.50	3,249.50	3,349.50	Unch.	2.88	
67.449	Est. sales N.A. Tiers sales 115,336						
2.727	Turns open int. 92,205	up 1,819					
4.357							
<b>Commodity Indexes</b>							
<b>Wheat</b>							
	Mar 98	1.40	1.40	1.40	0.00	1.40	
	Apr 98	1.40	1.40	1.40	0.00	1.40	
	May 98	1.40	1.40	1.40	0.00	1.40	
	Jun 98	1.40	1.40	1.40	0.00	1.40	
	Jul 98	1.40	1.40	1.40	0.00	1.40	
	Aug 98	1.40	1.40	1.40	0.00	1.40	
	Sep 98	1.40	1.40	1.40	0.00	1.40	
	Oct 98	1.40	1.40	1.40	0.00	1.40	
	Nov 98	1.40	1.40	1.40	0.00	1.40	
	Dec 98	1.40	1.40	1.40	0.00	1.40	
	Jan 99	1.40	1.40	1.40	0.00	1.40	
	Feb 99	1.40	1.40	1.40	0.00	1.40	
	Mar 99	1.40	1.40	1.40	0.00	1.40	
	Apr 99	1.40	1.40	1.40	0.00	1.40	
	May 99	1.40	1.40	1.40	0.00	1.40	
	Jun 99	1.40	1.40	1.40	0.00	1.40	
	Jul 99	1.40	1.40	1.40	0.00	1.40	
	Aug 99	1.40	1.40	1.40	0.00	1.40	
	Sep 99	1.40	1.40	1.40	0.00	1.40	
	Oct 99	1.40	1.40	1.40	0.00	1.40	
	Nov 99	1.40	1.40	1.40	0.00	1.40	
	Dec 99	1.40	1.40	1.40	0.00	1.40	
	Jan 00	1.40	1.40	1.40	0.00	1.40	
	Feb 00	1.40	1.40	1.40	0.00	1.40	
	Mar 00	1.40	1.40	1.40	0.00	1.40	
	Apr 00	1.40	1.40	1.40	0.00	1.40	
	May 00	1.40	1.40	1.40	0.00	1.40	
	Jun 00	1.40	1.40	1.40	0.00	1.40	
	Jul 00	1.40	1.40	1.40	0.00	1.40	
	Aug 00	1.40	1.40	1.40	0.00	1.40	
	Sep 00	1.40	1.40	1.40	0.00	1.40	
	Oct 00	1.40	1.40	1.40	0.00	1.40	
	Nov 00	1.40	1.40	1.40	0.00	1.40	
	Dec 00	1.40	1.40	1.40	0.00	1.40	
	Jan 01	1.40	1.40	1.40	0.00	1.40	
	Feb 01	1.40	1.40	1.40	0.00	1.40	
	Mar 01	1.40	1.40	1.40	0.00	1.40	
	Apr 01	1.40	1.40	1.40	0.00	1.40	
	May 01	1.40	1.40	1.40	0.00	1.40	
	Jun 01	1.40	1.40	1.40	0.00	1.40	
	Jul 01	1.40	1.40	1.40	0.00	1.40	
	Aug 01	1.40	1.40	1.40	0.00	1.40	
	Sep 01	1.40	1.40	1.40	0.00	1.40	
	Oct 01	1.40	1.40	1.40	0.00	1.40	
	Nov 01	1.40	1.40	1.40	0.00	1.40	
	Dec 01	1.40	1.40	1.40	0.00	1.40	
	Jan 02	1.40	1.40	1.40	0.00	1.40	
	Feb 02	1.40	1.40	1.40	0.00	1.40	
	Mar 02	1.40	1.40	1.40	0.00	1.40	
	Apr 02	1.40	1.40	1.40	0.00	1.40	
	May 02	1.40	1.40	1.40	0.00	1.40	
	Jun 02	1.40	1.40	1.40	0.00	1.40	
	Jul 02	1.40	1.40	1.40	0.00	1.40	
	Aug 02	1.40	1.40	1.40	0.00	1.40	
	Sep 02	1.40	1.40	1.40	0.00	1.40	
	Oct 02	1.40	1.40	1.40	0.00	1.40	
	Nov 02	1.40	1.40	1.40	0.00	1.40	
	Dec 02	1.40	1.40	1.40	0.00	1.40	
	Jan 03	1.40	1.40	1.40	0.00	1.40	
	Feb 03	1.40	1.40	1.40	0.00	1.40	
	Mar 03	1.40	1.40	1.40	0.00	1.40	
	Apr 03	1.40	1.40	1.40	0.00	1.40	
	May 03	1.40	1.40	1.40	0.00	1.40	
	Jun 03	1.40	1.40	1.40	0.00	1.40	
	Jul 03	1.40	1.40	1.40	0.00	1.40	
	Aug 03	1.40	1.40	1.40	0.00	1.40	
	Sep 03	1.40	1.40	1.40	0.00	1.40	
	Oct 03	1.40	1.40	1.40	0.00	1.40	
	Nov 03	1.40	1.40	1.40	0.00	1.40	
	Dec 03	1.40	1.40	1.40	0.00	1.40	
	Jan 04	1.40	1.40	1.40	0.00	1.40	
	Feb 04	1.40	1.40	1.40	0.00	1.40	
	Mar 04	1.40	1.40	1.40	0.00	1.40	
	Apr 04	1.40	1.40	1.40	0.00	1.40	
	May 04	1.40	1.40	1.40	0.00	1.40	
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	Jul 04	1.40	1.40	1.40	0.00	1.40	
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	Sep 04	1.40	1.40	1.40	0.00	1.40	
	Oct 04	1.40	1.40	1.40	0.00	1.40	
	Nov 04	1.40	1.40	1.40	0.00	1.40	
	Dec 04	1.40	1.40	1.40	0.00	1.40	
	Jan 05	1.40	1.40	1.40	0.00	1.40	
	Feb 05	1.40	1.40	1.40	0.00	1.40	
	Mar 05	1.40	1.40	1.40	0.00	1.40	
	Apr 05	1.40	1.40	1.40	0.00	1.40	
	May 05	1.40	1.40	1.40	0.00	1.40	
	Jun 05	1.40	1.40	1.40	0.00	1.40	
	Jul 05	1.40	1.40	1.40	0.00	1.40	
	Aug 05	1.40	1.40	1.40	0.00	1.40	
	Sep 05	1.40	1.40	1.40	0.00	1.40	
	Oct 05	1.40	1.40	1.40	0.00	1.40	
	Nov 05	1.40	1.40	1.40	0.00	1.40	
	Dec 05	1.40	1.40	1.40	0.00	1.40	
	Jan 06	1.40	1.40	1.40	0.00	1.40	
	Feb 06	1.40	1.40	1.40	0.00	1.40	
	Mar 06	1.40	1.40	1.40	0.00	1.40	
	Apr 06	1.40	1.40	1.40	0.00	1.40	
	May 06	1.40	1.40	1.40	0.00	1.40	
	Jun 06	1.40	1.40	1.40	0.00	1.40	
	Jul 06	1.40	1.40	1.40	0.00	1.40	
	Aug 06	1.40	1.40	1.40	0.00	1.40	
	Sep 06	1.40	1.40	1.40	0.0		

[illegible]



# Hit Records Enspan Talk k at Asia Lifts Markets

Semiconductor equipment makers after an analyst in the chip demand made it a point to buy the stocks. Applied's share rose 1 1/2 to 37 1/2, Micron's 3 1/2 to 45 1/2, and KLA's 3 1/2 to 45 1/2.

But Intel fell 3/4 to 44 1/2. Alex. Brown downgraded the semiconductor software company's earnings to 1998, but might be weak.

Circuit City's earnings fell 1/2 to 22 1/2 after the company's revenue fell 1/2 to 22 1/2. The company's revenue fell 1/2 to 22 1/2.

Yellow, a freight company, was downgraded to 1998, but might be weak.

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# Drugmaker's Woe On Profit Shortfall Sends Stock Slide

SAN DIEGO — The drugmaker's profit shortfall on Wednesday sent its stock price down 1 1/2 to 10 1/2. The company's revenue fell 1/2 to 10 1/2.

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# Spain and Portugal Meet Deficit Goals

## Nations Say They Qualify for the Euro

MADRID — Spain and Portugal said Wednesday they had met the criteria for joining the single European currency, the euro, at its scheduled beginning next year.

Spain's deficit last year was 2.6 percent of gross domestic product, well below the 3 percent limit for qualifying for the euro and down from 4.4 percent in 1996, Economy Minister Rodrigo Rato said.

Portugal's deficit was 2.5 percent of GDP, Finance Minister Antonio Sousa Franco said, below the government's target of 2.9 percent.

But Spain's public debt last year stood at 68.3 percent of GDP, above the standard of 60 percent set by the Maastricht treaty that established benchmarks for euro membership.

Portugal's debt was 61.99 percent of GDP. Data from 1997 are the basis for determining which countries will be part of the common currency in January 1999.

Despite the level of public debt—a criterion on which few prospective euro members are in compliance—Prime Minister Antonio Guterres of Portugal said the figures not only meant that Portugal could meet the formal entry requirements for the single currency but should dispel doubts that the country could maintain the required budgetary rigor.

"This was a result that exceeded expectations, including those of the government," Mr. Guterres said. "So far we've always been able to beat our targets. That's the best proof of sustainability."

The fact that Portugal achieved the targets without recourse to tax increases also bolstered its credibility, he said.

Shortly after Mr. Sousa Franco's announcement, the central bank cut key interest rates by 20 basis points, lowering its repurchase rate to 4.9 percent, its discount rate to 4.9 percent, and its emergency lending rate to 6.6 percent.

Germany's economics minister, Guenter Rexrodt, said Tuesday that Spain and Portugal had met the membership criteria but that Italy's situation was less certain. On Wednesday, his ministry confirmed the comments.

"It's clear to everyone that both

## EU Sees 'Small' Asia Effect

The European Union's annual economic report, adopted by the European Commission on Wednesday, said Asia's financial crisis could dull the EU's growth outlook. Reuters reported from Brussels.

"The financial turbulence in Asia will lead to some reduction in economic growth in the EU in 1998, but the adverse impact is likely to be rather small," the report said.

It said the impact would be to cut "about a quarter of a percentage point" from growth in 1998. The commission forecast last October that the EU economy would grow 3 percent in 1998. A revised forecast is due to be presented March 25.



PIRELLI CAMPAIGN — The Brazilian soccer star Ronaldo in Milan on Wednesday with an ad to trumpet the Italian tire manufacturer's moves to invest \$230 million in Brazil. The ad mimics the statue of Jesus Christ that dominates Rio de Janeiro.

# Paris Utility Holds Talks With Havas On Takeover

PARIS — Generale des Eaux SA said Wednesday it was negotiating to buy Havas SA, a move that would cost it about 26 billion francs (\$4.3 billion) and would turn the utility into France's biggest media company.

The boards of Generale des Eaux and Havas will discuss the takeover plans at a meeting March 9, the company, France's biggest water utility said.

Generale des Eaux already has a 30 percent stake in Havas.

The deal would be the second strategic move by Jean-Marie Messier, Generale des Eaux's chairman, to move the group from its traditional activities of water distribution, construction and property to telecommunications and media.

In January, Generale's unit Cegedel and Canal Plus SA — Europe's biggest pay-television operator, which is partly owned by Havas — signed a French Internet alliance with America Online Inc. and Germany's Bertelsmann AG, which owns the Internet-service provider AOL/CompuServe in Europe.

Analysts said Generale des Eaux, which is pondering a name change, was likely to sell a number of Havas activities but hold onto the core media and television businesses.

Havas Advertising, a 38-percent owned unit, and its fully owned travel agency Havas Tourism could be sold, as well as the telephone directories publisher ODA.

Havas is one of France's biggest publishers, with titles such as the Gault Millau food guides and Larousse dictionaries.


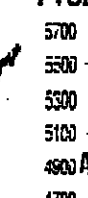
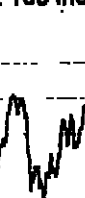
Havas shares rose 0.5 percent, or 29.20 francs, to close at 476.20. Generale des Eaux's shares rose 1 to 906.

"A merger between Havas and Generale des Eaux would be logical," said Christian Chardin, a fund manager at Barclays Asset Management in France.

"Havas is a sleeping beauty — it was pretty much badly managed and its potential held back," he said.

Analysts expect Generale des Eaux to offer shares or a combination of shares and cash for Havas. (Bloomberg, Reuters)

## Investor's Europe

Investor's Europe				
Frankfurt DAX	London FTSE 100 Index	Paris CAC 40		
				
SONDJF	SONDJF	SONDJF		
1997	1997	1997		
1998	1998	1998		
Exchange	Index	Wednesday Close	Prev. Close	% Change
Amsterdam	AEX	1,060.61	1,045.76	+1.42
Brussels	BEL-20	2,783.04	2,704.45	+2.81
Frankfurt	DAX	4,635.82	4,599.54	+0.79
Hamburg	Stock Market	682.36	691.37	+0.14
Helsinki	HEX General	4,044.03	4,011.65	+0.81
Oslo	OBX	574.91	567.34	+1.33
London	FTSE 100	5,745.10	5,661.00	+1.49
Madrid	Stock Exchange	765.39	751.41	+1.86
Milan	MBTEL	1977.8	1930.7	+2.44
Paris	CAC 40	3,348.20	3,262.83	+2.62
Stockholm	SX 16	3,668.43	3,603.39	+1.83
Vienna	ATX	1,372.81	1,357.76	+1.11
Zurich	SPI	4,373.64	4,309.73	+1.48

Source: Telekurs  
International Herald Tribune



**NYSE**[illegible]

**Continued on Page 17**

# 'Troubled Ma

## Philippine Air

### Japan Officials S

#### GENSET: Draining

##### WORLDWIDE

###### HIGH SOCIETY

###### VENUS IN PH

###### BOTTLE



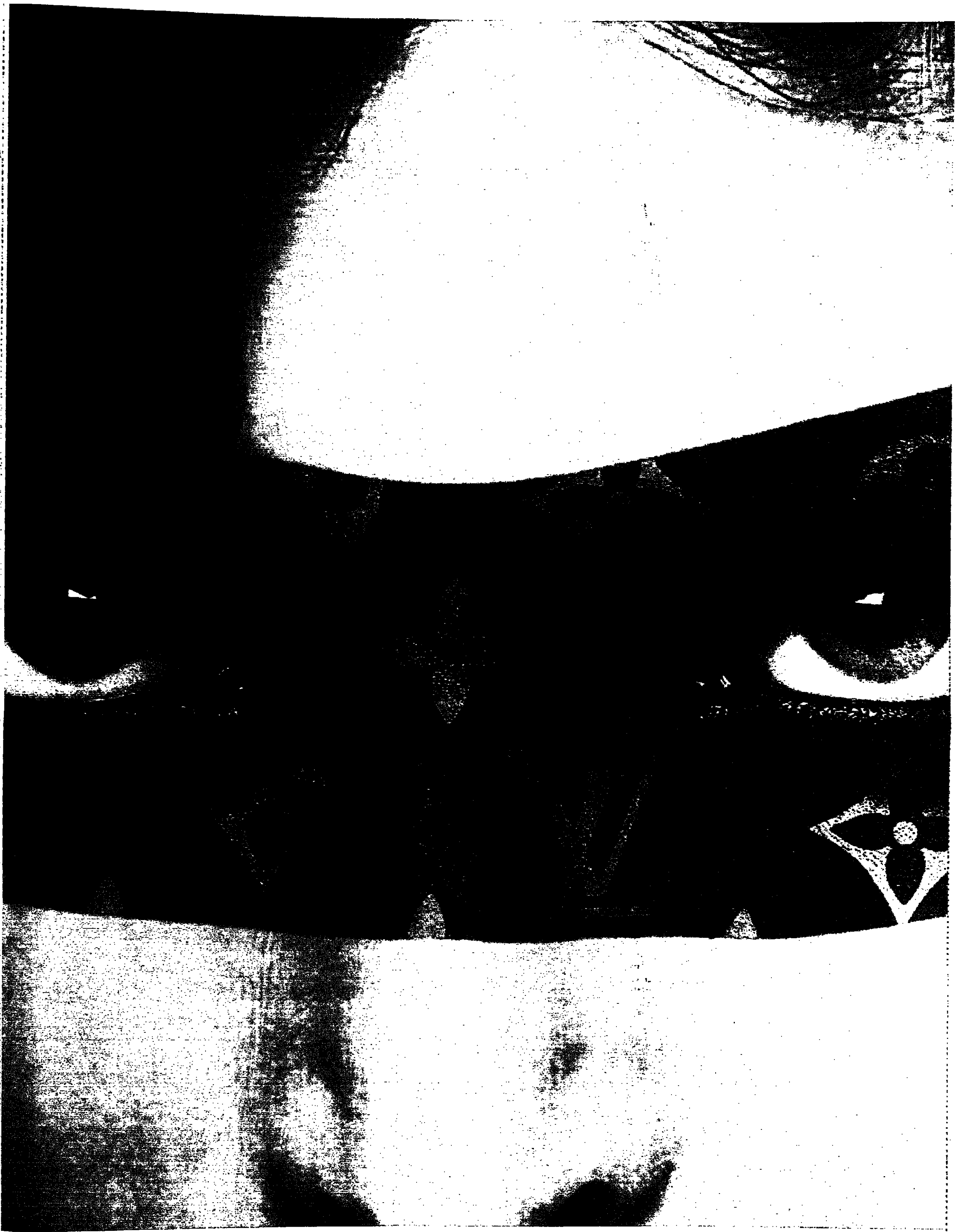








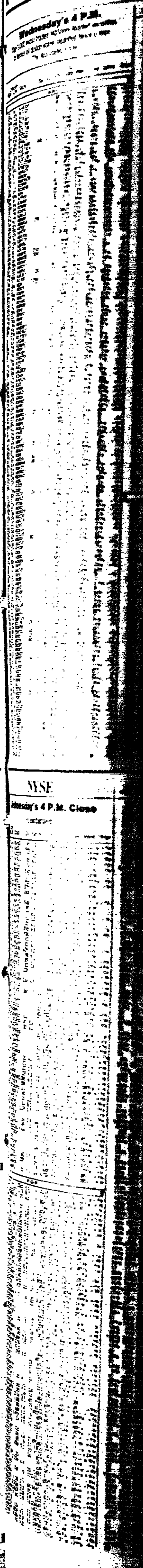
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# LOUIS VUITTON

LONDON, 17/18 NEW BOND STREET  
PARIS, 101 AVENUE DES CHAMPS-ÉLYSÉES  
READY-TO-WEAR. HANDBAGS. LUGGAGE. ACCESSORIES. WRITING.





NYSE

**Wednesday's 4 P.M. Close**





**NASDAQ**

[illegible]



**WORLD ROUNDUP**

**Ivanisevic Crumbles**

TENNIS Wayne Ferreira, ranked No. 47 in the world, took 64 minutes to beat Goran Ivanisevic, ranked 16th, by 6-2, 6-4, in the second round of the London indoor tournament. Ivanisevic, who served 11 double faults, said it was "one of the worst matches I've ever played indoors."

Ferreira dropped one point on his own serve a first set that lasted 19 minutes and broke his opponent immediately in the second. (Reuters)

Xavier Malisse nearly turned his professional debut into a major upset, pushing Pete Sampras to three sets before the world's No. 1-ranked player prevailed, 4-6, 6-3, 7-5, in the Advanta Championships in Philadelphia on Tuesday.

Malisse, 17, of Belgium, was ranked 851st on the ATP Tour computer when he came through qualifying.

"I didn't know what his favorite shots were, and it took me awhile to figure them out," said Sampras.

Malisse broke Sampras' serve in the first game, then won the first set by taking 12 of 13 points in the final three games. (AP)



Marc Rosset playing Andrew Richardson Wednesday in London. Rosset withdrew hurt.

**Oilers Can Move Again**

FOOTBALL Bud Adams, the owner of the Tennessee Oilers, has agreed to pay \$1.2 million to Memphis to get out of the contract to play a second season at the Liberty Bowl. That leaves the team free to negotiate a deal to play next season in Nashville. A new 67,000-seat stadium in Nashville will be ready for the 1999 season.

Vanderbilt University's 41,448-seat stadium is the team's likely option. The Oilers averaged an NFL-low 28,028 fans the Liberty Bowl last year, their temporary home after abandoning Houston in favor of Nashville. (AP)

**Greene Outruns Bailey**

ATHLETICS Maurice Greene, the world champion, confirmed his status as the top 100-meter runner in the world with a convincing victory over Donovan Bailey, the Olympic champion, in a meet in Melbourne on Wednesday. Greene, an American, was timed in 10.06 seconds. (Reuters)

**Soccer Club In England Bought for £30 Million**

Reuters

LONDON — Mark Goldberg, a computer industry millionaire, said Wednesday that he had bought Crystal Palace, the English Premier League club, from its chairman, Ron Noades.

Goldberg, the managing director of the London-based computer company MSB, also said that Juventus, the Italian champion, would take a 10 percent stake in the south London club. Juventus did not immediately confirm this.

The takeover was reportedly worth £30 million (\$49.5 million).

Crystal Palace is in the bottom three in the Premiership and, if it cannot improve its position, will be relegated to the first division at the end of the season.

Goldberg also said that he intended to hire Terry Venables, the former coach of England, as manager. On Wednesday afternoon, Steve Coppell, the manager, said he had agreed to resign when a replacement was found. He will then become "development director of football" at the club.

"Steve will help implement the Juventus model at Crystal Palace," Goldberg said.

"Juventus will be technical directors for football," Goldberg said. "They have a formula which has been proven over many years to optimize the experience and expertise of the playing staff."

Noades will continue to run the club until the completion of the takeover, "on or before October 1998."

The new owner signed Sasa Curcic, a midfielder, from Aston Villa for £1 million on Wednesday.

Aston Villa on Wednesday appointed John Gregory, a former player and coach at the club, as successor to Brian Little, who resigned as manager on Tuesday. (AFP, Reuters)



Benedict McCarthy, right, of South Africa shooting while watched by the Congolese defender Kibonge Senege.

**McCarthy Saves African Champion**

Compiled by Our Staff From Dispatches

OUAGADOUGOU, Burkina Faso — Benedict McCarthy scored deep in extra time Wednesday to earn South Africa, the defending champion, a 2-1 victory over Congo and a place in the final of the African Nations' Cup.

Keve Bembuana gave Congo the lead after 43 minutes. Bembuana had replaced Congo's leading striker Tondelua Mbullua at halftime. McCarthy equalized after 59 minutes with a swerving shot, then won the semifinal by drilling a close-range shot past Nkwenti Mayala with seven minutes of extra time left.

McCarthy, a 20-year-old striker who plays for Ajax Amsterdam, became

the top scorer in the tournament with seven goals.

In extra time, the teams tied in the 30-degree centigrade (86-degree-Fahr-

**SOCCER**

enheit) heat. Bembuana spurred several chances before McCarthy struck.

South Africa will meet either Burkina Faso or Egypt who were playing later on Wednesday. (AFP, Reuters)

**UEFA Replaces Referee**

Alarmed by press speculation that a referee and linesman for a Cup Winners Cup game were given VIP treatment by one of the clubs, UEFA, the governing

body of European soccer, decided Wednesday to replace them. The Associated Press reported from Nyon, Switzerland.

Leif Sundell, a Swedish referee, and his linesmen were to officiate at the quarterfinal next week between Real Betis of Seville and Chelsea. But the trio went to see Betis play Espanyol in the Spanish league Sunday.

They were filmed sitting in the VIP area by Spanish media and, although UEFA decided they were doing nothing untoward, it pulled them from the Cup Winners Cup game.

The three officials were working at a tournament in southern Spain involving Swedish clubs.

**Study Faults Teams for Scarcity of Minority Coaches**

By Gerald Eskenazi  
New York Times Service

NEW YORK — Despite a growing number of blacks, Hispanics, Asian-Americans and women in the league headquarters of professional basketball, football and baseball, minority groups are still greatly underrepresented among the teams' head coaches and managers, the Northeastern University Center for the Study of Sport in Society reports.

Richard Lapchick, the center's director, said in an interview Tuesday in connection with his Racial Report Card that he was particularly surprised by the fact that college athletic programs have a poorer record of hiring members of minority groups than the pros do.

Lapchick, who has been issuing reports on minority hiring in athletics for nine years, said that in 1997, the percentage of minority group members and women increased to 23 percent from 21 percent in the National Basketball Association's headquarters, to 20 percent

from 18 percent in the National Football League offices, and to 28 percent from 22 percent in the headquarters of Major League Baseball.

But he said that as of last December, only 20 percent of NBA players were white, while 76 percent of the head coaches were. And in the NFL, 31 percent of the players were white but 90 percent of the head coaches were. In baseball, 58 percent of the players were white, compared with 86 percent of the managers.

In a study of colleges, the center found that although there were 25 head-coaching openings in Division I-A football after the 1996 season, only one school, New Mexico State, hired a black. Also, the study found that of 249 Division I colleges playing baseball, not one had a black head coach. And in all sports in college, blacks made up 4.2 percent of the head-coaching total.

"Jackie Robinson had two dreams for sport," Lapchick wrote in this year's report. "Increased player opportunities

and similar increases for front office and coaching positions. The first dream has been overwhelmingly fulfilled. The latter is overwhelmingly unfulfilled."

Lapchick said that the NBA commissioner, David Stern, and the NFL commissioner, Paul Tagliabue, had tried to lead by example by minority hiring in their offices. Figures for Major League Baseball are incomplete in some cases.

Lapchick said in the report that "sport remains the one national place where people of color and whites seem to have the greatest opportunity to set a national example for the rest of the country." A premise of the study is that organized sports, including those on the college level, should mirror the racial composition of society.

Among the findings: • The NBA has the best record of bringing women and minority-group members into management, while baseball the worst.

• League offices do "far better than teams" in their hiring practices.

• Not one major professional sports team has black majority ownership.

• Not one major professional team has a senior physician who is black.

The only failing grade went to baseball, where top management, according to Lapchick's definition, received an "F." This group includes owners.

Rich Levin, a spokesman for Major League Baseball, said that 8 percent of baseball's senior executives were minority group members. "The front office was 19 percent," he said, referring to all kinds of management jobs. "We think those numbers are pretty good."

Stern, the NBA commissioner, said, "We have and will continue to always hire the best possible people."

Joe Browne, an NFL vice president, said, "Under Commissioner Paul Tagliabue's direction, we believe progress has been made, but work remains."

Lapchick said, "Unless the hiring practices filter down to the teams, inequities will remain."

**SCOREBOARD**

**BASKETBALL**

**NBA STANDINGS**

**EASTERN CONFERENCE**

**ATLANTIC DIVISION**

Team	W	L	Pct	GB
Atlanta	30	18	.625	—
New York	31	23	.574	6
New Jersey	32	24	.571	6
Orlando	28	27	.509	9 1/2
Washington	28	28	.500	10
Boston	26	30	.463	12 1/2
Philadelphia	18	38	.316	18 1/2

**CENTRAL DIVISION**

Team	W	L	Pct	GB
Chicago	42	15	.737	—
Indiana	38	16	.704	2 1/2
Atlanta	32	22	.592	9
Charlotte	32	22	.592	9
Cleveland	20	26	.435	12
Milwaukee	28	27	.509	13
Detroit	25	29	.463	15 1/2
Toronto	12	42	.222	28 1/2

**WESTERN CONFERENCE**

**PACIFIC DIVISION**

Team	W	L	Pct	GB
Utah	37	16	.696	—
San Antonio	37	17	.685	1
Minnesota	30	24	.556	7 1/2
Houston	27	28	.491	11
Vancouver	14	41	.255	24
Denver	10	44	.182	27 1/2
Seattle	5	50	.091	32

**PACIFIC DIVISION**

Team	W	L	Pct	GB
L.A. Lakers	42	15	.737	—
Portland	37	17	.685	4 1/2
Phoenix	32	22	.592	9 1/2
Sacramento	24	32	.432	19 1/2
Golden State	12	42	.222	29 1/2
L.A. Clippers	11	44	.200	31

**TUESDAY RESULTS**

Team	W	L	Pct	GB
Houston	27	21	.564	—
Washington	27	21	.564	—
LA Clippers	11	44	.200	—
Washington	27	21	.564	—

**MAJOR COLLEGE SCORES**

**FOOTBALL**

**THURSDAY MATCH, SECOND DAY**

**WEDNESDAY MATCH, FIRST DAY**

**WEDNESDAY MATCH, FIRST DAY**

**WEDNESDAY MATCH, FIRST DAY**

**WEDNESDAY MATCH, FIRST DAY**

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**CRICKET**

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**SOCCER**

**AFRICAN NATIONS' CUP**

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**For Superstar Of Running, His Triumph Is Ethiopia's**

By Frank Litsky  
New York Times Service

NEW YORK — No one in Ethiopia has ordered Haile Gebrselassie to win or else. No one has told him that if he does not win, he disappoints the entire nation.

But the world's most successful distance runner feels he must win for his people, who are among the poorest in the world.







## ART BUCHWALD

## From the E-Mail Files

WASHINGTON — This is the latest e-mail that has shown up on my computer.

From: Vernon Jordan  
To: Monica Lewinsky  
Good news. I have managed to wangle a job for you with the North Slope Alaska Pipeline Company, headquarters in Nome. It's a great opportunity for a young person and something no intern should pass up.  
Call me to talk about it.



To: Linda Tripp  
From: Zithur Wiretap, Inc.  
We have just received a new Sony digital tape recording system that we think would be right up your alley. By hiding the mike in your hair, you can record your best friend at 50 feet and pick up instructions from a special prosecutor at the same time. No one in your business should be without one.

From: Cable Wrestling  
To: William Ginsberg  
We notice that you have

## A 'Titanic' Record

LOS ANGELES — With a worldwide take of \$919.8 million, "Titanic" has become the highest-grossing film in history and appears on course to become the first to pass \$1 billion. Daily Variety reported that James Cameron's epic of the 1912 disaster had passed the former champion, "Jurassic Park," which has taken in \$913.1 million since 1993.

appeared on every TV show in the world except for Cable Wrestling. We would like to feature you in a match with Madman Killjoy. It would be a no-holds-barred contest, and the purse would go to Monica's defense fund.

From: Ace Zimblatt,  
Sports Editor  
To: Tara Lipinski  
Sorry I got you mixed up in my story on Monica Lewinsky. I realized afterward that you had never skated in the Oval Office, nor have you ever been given a gold medal to shut you up. We're running a retraction in our Bronx edition.

From: Ace Zimblatt,  
Sports Editor  
To: Monica Lewinsky  
By accident we inadvertently got you mixed up with the Olympic gold medal winner Tara Lipinski. We are well aware that you have never skated in Nagano, although you did say on Miss Tripp's tapes that ever since you were a child you wanted to be an older Tonya Harding. We're making the correction in our Staten Island edition, as our lawyers advise us it is libelous to call someone a figure skating champion when she is, in effect, a White House hockey player.

From: Ken Starr  
To: Whom It May Concern  
Enclosed please find a subpoena demanding that you appear in front of the grand jury to testify whom you saw go in and out of President Clinton's office. I am offering the usual immunity that I give all witnesses provided they testify against a blood relative. A quick response is requested as I am trying to wind up my Whitewater investigation by the year 2005.

## Henny Youngman, King of the One-Liners, Dies

By Mervyn Rothstein  
New York Times Service

NEW YORK — Henny Youngman, 91, the King of the One-Liners, who inspired his audiences for more than six decades to "take my wife — please," died Tuesday in New York.

Youngman had been hospitalized since Jan. 2. He had come down with a cold while on a two-show-a-night visit to San Francisco the week after Christmas. Back in New York, it developed into pneumonia.

The most rapid-fire of rapid-fire comics, he could tell six, seven, sometimes even eight or more jokes a minute, 50 or more jokes in an eight-minute routine. Rarely if ever did a joke last more than 24 seconds.

For Youngman, every good joke was "really a simple cartoon — you can SEE it," he wrote in his 1991 autobiography, "Take My Life, Please!"

"A man says to another man, 'Can you tell me how to get to Central Park?' The guy says no. 'All right,' says the first, 'I'll mug you here.' Two guys are in a gym, and one is putting on a girdle. 'Since when have you been wearing a girdle?' says his friend. 'Since my wife found it in the glove compartment of our car.'"

For much of his career, Youngman would travel a half million miles or more a year in the United States and Canada, appearing in more than 100 engagements at nightclubs in Las Vegas, Los Angeles, Montreal, Chicago and New York, at sales meetings, colleges, synagogues, banquets and hotels, on cruises to Mexico and the West Indies, on television variety shows and in guest stints with Johnny Carson, Ed Sullivan, Merv Griffin or whoever else would have him. "I can go anywhere, play any date, for any kind of people," Youngman said.

He was not happy unless he got at least 10 bookings a month, 10 opportunities to place his stocky 6-foot-2 frame on a podium, brandish the 19th-century violin that he had taken to calling a "Stradivari-cose," and make people laugh.

Youngman was born March 16, 1906, in London, where he was named Henry Youngman. ("I was so ugly when I was born," he later said, "the doctor slapped my mother.")

His father, Yonkel Yungman, a hatmaker, had emigrated from Russia to Paris, then to London and then to the Lower East Side of New York, where, his name changed to Jacob Youngman, he met another immigrant, Olga Chetkin. The two married and went for their honeymoon to London, where Jacob's parents lived. They stayed for a year and a half — during which time Henry was born — until they finally earned enough money to return to the United States.

Back in New York, the Youngmans lived in a tenement owned by Henry's uncle. His father, then a sign painter, loved music, especially opera. Henry's aunt bought him a violin, and his father decided he should become a violinist in the Metropolitan Opera orchestra.

During his high school days, Henry spent most of his time at vaudeville houses in the neighborhood — the Optheum, the Fox, the Flatbush, the Prospect. He tried out the jokes he had heard in the theaters on friends in a neighborhood candy store. He also played his violin in the orchestra pit of a local movie house — the orchestra consisted only of Henny and a woman playing the piano.

He was known as Hen until age 18, when a headline in Billboard read "Hen Youngman and Syn-copators Play Coney Island Boardwalk." Seeing his first mention in the newspaper, he decided that "hens lay eggs" and became Henny.

He got jobs serving summonses, at 50 cents apiece, and printing business cards at Kresge's department store in downtown Brooklyn. Across the aisle at Kresge's was a



Henny Youngman with his "Stradivari-cose" in 1983.

red-haired young woman selling sheet music named Sadie Cohen; she would become his wife of 58 years.

A quiet, almost anonymous woman, she allowed him to tell jokes about her, jokes that became his trademark: "I miss my wife's cooking — as often as I can." "How's your wife?" "Compared to what?" "I take my wife every-where, but she always finds her way home."

"She took it with a grain of salt," Youngman said after his wife's death in 1987 at age 82. "She knew I was just joking. She always stuck by me, and that's what counts."

The young Henny's band eventually went to the Catskills, the Borscht Belt — the proving ground for so many Jewish comedians and singers.

Henny met a comedian who was

headlining down the block at the Loew's State — Milton Berle. They became friends, and in the early years Berle would give him any jobs he didn't have time for.

The change from musician to comedian came one night at the Nut Club in Mountainside, New Jersey, when the comedy team of Grace and Paul Hartman didn't show up for their performance. Desperate, the manager asked Henny to go on for them. He was a hit — and, as a colleague later said, "Music's loss was comedy's gain."

He played clubs and speakeasies all over the East Coast. His performances, at least according to his jokes, were not always successful: "I won't say business was bad at the last place I played, but the band was playing 'Tea for One'." "Fellow called up and said, 'What time is the next show?' I said, 'What time can you make it?'"

Youngman's first big break came in 1937 when he was signed for a six-minute spot on the Kate Smith radio show. He got so many laughs, he was kept on for 10 minutes. After the show, he was made a regular.

"I was a greenhorn," he recalled in his autobiography, written with Neal Karlen. "I came out of left field. I didn't even know enough to copy anybody. I wasn't trained. I wasn't taught. But overnight I became a star, so I had to learn the business. I got \$250 for that first show. When I got home, my mother said, 'Since when have you been funny?' I showed her the check — and that's what convinced her I was funny."

And even though Jack Benny got there first, it was on the Kate Smith show that he first made his violin an important part of his act, alternating his rapid-fire jokes with terrible playing, often a phrase of "Smoke Gets in Your Eyes."

His most famous line, "Take my wife — please," was born by accident, when he used the phrase to ask a stagehand to show his wife and her friends to their seats before a radio program. "They were all talking and giggling while I was trying to read my script," he recalled. "Finally, I couldn't take it anymore. I took Sadie by the elbow and brought her over to a stagehand. 'Take my wife,' I said to the guy. 'PLEASE.'"

The secret of his lasting success in show business, he said, could be summed up in one Yiddish phrase: "Nem di gelt."

"Get the money," he explained in his autobiography. "Don't believe all the baloney people tell you when they're describing what they're going to do for you someday soon. Nem di gelt."

Even in his difficult final years, Youngman retained his sense of humor. At age 89, he broke his hip. Several months after leaving the hospital, he attended a celebration honoring his 90th birthday. His first quip? "Take my wheelchair — please."

## Windsor Dogs Have Their Day

The Associated Press

NEW YORK — Total sales of the Duke and Duchess of Windsor's estate rocketed to \$15.7 million, more than doubling the pre-auction high estimates, as the couple's "pug collection" went up for grabs.

In what a Sotheby's spokesman called "pugnacious bidding," auction-goers vied for 52 lots of memorabilia on Tuesday that included paintings, porcelain figures, photographs, dog collars and silver dog dishes — all relating to the pug, the couple's favorite breed.

Bidders included the actor Paul Winfield, the owner of six pugs, who snapped up a pair of earthenware versions for \$2,070, and the writer Tina San-Flaherty who bought watercolors of the duchess's pugs Pookie and Trooper for \$18,400.

Brigid Berlin, a one-time Andy Warhol disciple and self-proclaimed "Queen of Pugs," paid \$6,325 for a blue, 19th-century porcelain pug figure. "I must have the biggest collection of pugs in New York, literally hundreds of them, but I don't have anything that's blue," said Berlin, whose parents were friends of the Windsors.

In morning bidding, two racks of gaming chips sold for \$24,150. The 400 chips each bear a gilt coronet and the interlaced initials "WE" for Wallis and Edward.

The day's sessions added \$1.9 million to the cumulative total earned in five days of sales from the Windsors' former Paris estate.

THE actor Robert De Niro and Justice Minister Elisabeth Guigou of France slipped off for a tête-à-tête at a dinner party after the film star was interrogated in an inquiry into a call-girl ring, a newspaper reported Wednesday. De Niro and other celebrities were at a dinner at the home of the TV talk-show host Guillaume Durand on Feb. 17, when Guigou suddenly turned up, the satirical and investigative weekly Le Canard Enchaîné said. De Niro was still smarting after being taken in by the police on Feb. 10 for a nine-hour interrogation as a witness in the inquiry. "It is not known whether the minister knew whom she was about to meet or whether she fell into a high-society trap, but she then had an exclusive interview with De Niro in another room sheltered from eavesdroppers," the newspaper said. In an interview in the daily Le Monde this week, De Niro declared that he would never return to France. But on Durand's show on Tuesday, he appeared to back off slightly from his statement that he would return his Legion of Honor award. "I was angry when I said I would return the Legion of Honor I was awarded last year," he said. "I've thought about it, I could still do it."

The Union Jack flies once again over another

flapjack victory. In Liberal, Kansas, a high school teacher, Christy Riffel, easily won the Shrove Tuesday pancake race, but fell more than five seconds shy of Nathalie Thomas, the winner in the counterpart race in Olney, England. "I gave it my all, but it wasn't enough," said Riffel, who had spent the last year training for the race with the high school football and track coach. The series is now tied at 24 victories apiece.

LeAnn Rimes, the 15-year-old country music sensation, is the latest Texan to appear in the "Don't Mess with Texas" anti-litter advertising campaign, credited with a 72 percent drop in roadside litter since 1986. Rimes received a Grammy Award last year after hits like "Blue," which is used as a basis for her Texas commercial.

Motley Crue's drummer, Tommy Lee, was arrested in Los Angeles on a charge of assaulting his wife, the actress Pamela Anderson Lee, who complained of a back injury and a broken nail. Lee was ordered held in lieu of \$1 million bail, twice the normal amount for a

## PEOPLE

charge of spousal assault, because he was already on probation for a battery charge. He had pleaded no contest in January to beating a photographer who videotaped him and his wife as they left a nightclub. . . . The police in New York have downgraded a misdemeanor assault charge filed against the actor James Brolin, accused of scuffling with a newspaper photographer outside a movie theater last week as Brolin left with his fiancée, Barbra Streisand. The complaint was reduced to harassment.

Commissioner Stefan Derrick, who has been solving crimes for nearly a quarter century on German television and around the world, is finally hanging up his hat. The last episode of "Derrick," the detective show that proved an export success in more than 100 countries, has already been shot but won't be shown until September. The star of the show, 74-year-old Horst Tappert, last year announced his plans to retire after 281 episodes. He said he was looking forward to an end to the series that began in 1974 because he would no longer have to wear his toupee. Dubbed versions of "Derrick" became a hit in countries from France to India in the 1980s.



Pancake racing, junior division.

(at your service)

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